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|---|---|---|---|---|---|
| Austria | Sch22 | Indonesia | Rp3100 | Portugal | Esc100 |
| Bahrain | Din0.650 | Israel | NIS3.50 | S.Arabia | Rls6.00 |
| Belgium | BFr48 | Italy | L1600 | Singapore | S$4.10 |
| Canada | C$1.00 | Japan | Y500 | Spain | Pta125 |
| Cyprus | C£0.75 | Jordan | Fils500 | Sri Lanka | Rup30 |
| Denmark | DKr9.00 | Kuwait | Fils500 | Sweden | SKr8.00 |
| Egypt | E£2.25 | Lebanon | [illegible] | Switzerland | SFr2.20 |
| Finland | Fmk7.00 | Luxembourg | LFr48 | Taiwan | NT$65 |
| France | FFr6.50 | Malaysia | Rlnt4.25 | Thailand | Bht50 |
| Germany | DM2.20 | Mexico | Pes300 | Tunisia | Din0.800 |
| Greece | Dr100 | Morocco | Dh6.00 | Turkey | L500 |
| Hong Kong | HK$12 | Netherlands | Fl2.50 | UAE | Dh6.50 |
| India | Rup15 | Norway | NKr9.00 | USA | $1.00 |

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,392 — Wednesday November 18 1987 — D 8523 A


**Space: US scientists welcome Europe's $4bn initiative, Page 4**

World News

## Iraqis bomb N-plant as Iranians mass troops

Iraqi warplanes twice bombed an unfinished Iranian nuclear power plant on the Gulf coast, killing 10 people including a West German engineer.

Meanwhile there were indications that Tehran might be on the verge of launching a big offensive east of Basra.

Iran was reported to have massed up to 250,000 troops near the Basra battle zone and Iraq said it had repulsed an Iranian thrust on the central sector of their warfront. Page 2

### Geneva treaty 'close'

Despite differences, a nuclear arms treaty should be finalised by Monday and ready for signing at the superpower summit next month, the chief Soviet arms negotiator said in Geneva. Reagan 'softening line,' Page 4

### Reagan quizzed

President Reagan has been asked to respond to written questions about the Iran-Contra arms deal by the special prosecutor investigating the affair, the White House said on Tuesday. The revelation came on the eve of public release of a congressional report the affair, and as several Republican legislators issued an opinion exonerating the president of any cover-up.

### Yugoslav wage demo

More than 5,000 workers in Skopje, southern Yugoslavia, protested in the streets against government austerity measures - and were promised a pay rise by the Macedonian Government after an emergency session. Page 14

### US-Israel 'deal'

The Reagan Administration was reported to have offered Israel a formal memorandum of understanding - guaranteeing future levels of economic aid - as an inducement to participate in international Middle East peace talks. Page 14

### 'IMF blackmail' claim

Zambian Prime Minister Kebby Musokotwane accused the International Monetary Fund of blackmailing African states by demanding tough economic reforms as a condition to lend them funds.

### African food shortage

Fifteen countries in sub-Saharan Africa, led by Ethiopia and Mozambique, needed 2.7m tonnes of relief food to counteract the effects of drought and civil strife, the World Food Programme said.

### Argentine 'threat'

Argentina's "due obedience law," which grants immunity from prosecution to military officers accused of torture, posed a "grave" threat to human rights, Amnesty International said. Page 4

### Banker told to quit

Angry Taiwan legislators demanded the central bank governor's resignation after he revealed massive losses on the island's currency reserves, second largest in the world. Page 3

### 'Peace budget'

Finance Minister Ronnie de Mel, presenting a "Budget for Peace," proposed a package of reforms to rebuild Sri Lanka's war-shattered economy and underpin its peace pact with India.

### Sino-Indian progress

Hopes of progress on a long-running Sino-Indian border dispute rose following three days of talks between foreign ministry officials of the two countries. Page 3

### Pensioners protest

About 150,000 pensioners from all over Italy demonstrated in Rome against government economic policy and called for increases in the state pension.

### Tidal wave warning

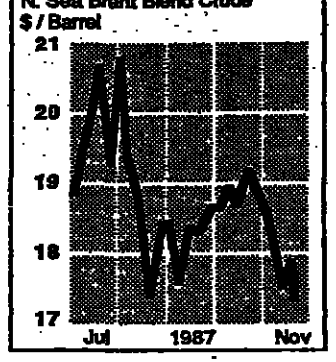
US authorities issued a tidal wave warning for the western United States and Canada following an earthquake - which recorded 6.8 on the Richter scale

Business Summary

## Siemens to cut payout after 12% drop in year

**SIEMENS**, West German electronics group, is cutting its dividend by DM1 to DM11 per share following a 12 per cent fall in after-tax earnings to DM1.3bn ($764.7m) for the year ended September 1987. Details, Page 17; Lex, Page 14

**OIL PRICES** fell to their lowest levels for almost nine months in London, Brent crude for December delivery traded as low as $17.65 a barrel, 30 cents below Monday's close. Page 20




**WALL STREET**: The Dow Jones industrial average closed down 26.85 at 1922.25. Page 32

**TOKYO**: Equities fell for the first in four sessions in thin trade overhung by pessimism over the outlook for the dollar and the US budget deficit. The Nikkei average tumbled 271.15 to 22,344.23. Page 32

**LONDON**: News of a surplus on the UK public sector borrowing requirement, last month gave gilts a boost, while share prices fell on transatlantic worries. The FT-SE 100 index closed 24.6 down at 1,660.1. The FT Ordinary index fell 15.0 to 1,310.6. Details Page 28

**DOLLAR** closed in New York at DM1.6910; FFr5.7300; SFr1.3860 and Y135.60. It closed in London at DM1.6935 (DM1.7025); FFr 5.7325 (FFr5.7575); SFr1.3900 (SFr1.4015) and Y135.70 (Y136.50). On Bank of England figures, the dollar's exchange rate index fell from 97.7 to 96.8.

**STERLING** closed in New York at $1.7645. It closed in London at $1.7645 ($1.7515); DM2.9875 (DM2.9825); FFr 10.1150 (FFr10.0850); SFr2.4525 (SFr2.4550) and Y239.50 (Y239.0)

**BEAR STEARNS**, a leading Wall Street brokerage house, lost $86m before tax on arbitrage and options business during the stock market crash in October, eliminating the entire profits for the second quarter of its fiscal year to October 31. Page 15

**BHP**: state government authorities in Perth bought a A$288m ($198m) parcel of shares in BHP from Robert Holmes a Court, taking to nearly A$500m their purchases during the past week from the local entrepreneur. Page 17

**DAIMLER-BENZ** chief Edzard Reuter accused western governments of "a catastrophic lack of economic policymaking competence". Page 2

**VOLVO**, the Swedish motor and energy group, reported a 21.5 per cent increase in third quarter profits at SKr2.277bn ($372m), its strongest set of third quarter figures since 1929. Page 17

**AUSTRALIAN** Nugget gold coin, launched in April, is likely to achieve within its first year its three-year target of capturing 10 per cent of the world's gold bullion coin market. Page 20

**JAPAN'S** four leading securities houses, Nomura, Daiwa, Nikko and Yamaichi, showed sharp gains in profits for the year to the end of September, on the back of the then still roaring bull market. Page 17

**HOECHST**, West German chemical group, recorded nine-months profits up 9.3 per cent with the aid of Celanese, its new US acquisition, but warned about the impact of the dollar's fall on future business. Page 17

**ICI** Australia, 62.4 per cent owned subsidiary of ICI of the UK, reported a 56.6 per cent rise in net earnings for the year to September on improved turnover. Page 17

# OECD sees slow growth in wake of equities crash

BY PHILIP STEPHENS AND IAN DAVIDSON IN PARIS

WESTERN governments yesterday acknowledged that the slump in world equity prices might significantly dampen economic growth next year and that further policy shifts in the larger economies were needed to preserve stability on financial markets.

In the first joint assessment of the impact of last month's stock market slide, senior officials from the 24 member governments of the Organisation for Economic Co-operation and Development said that they had agreed that was no reason to be "either complacent or alarmist."

A statement released after two days of talks at the OECD's Economic Policy Committee underlined, however, the significant differences which remain on how best to respond. It acknowledged that, while all governments wanted to promote sustained exchange rate stability, that would require "greater compatibility of macroeconomic policies and performance than now prevail."

To the obvious annoyance of the Bonn Government, the statement added that a majority had singled out West Germany as needing to take more action to stimulate its economy.

Tentative projections presented to the meeting by the OECD secretariat point to a slowing in the average economic growth rate of member countries from 2¾ per cent this year to 2¼ per cent in 1988 and 1¾ per cent in 1989. Growth in the US, which has a much higher proportion of individual shareholders than other industrial countries, could weaken most as a result of the stock market crash.

**Among the projections made by the OECD's secretariat are:**

**●Average economic growth rate of member countries may slow from 2¾ per cent this year to 2¼ per cent in 1988 and 1¾ per cent in 1989;**

**●Growth in the US could weaken most as a result of the stock market crash;**

**●West German growth in 1988 of 1½ per cent and 1¼ per cent in 1989;**

**●The US current account deficit will fall from $158bn this year to $134bn in 1988 and to $111bn in 1989.**

The estimates for West Germany, which were fiercely contested by the Bonn delegation, point to growth next year of just 1½ per cent and a further deceleration in 1989 to 1¼ per cent.

Mr Beryl Sprinkel, chairman of the President Reagan's council of economic advisers, told a press conference after the meeting that Bonn had agreed to review the possibility of a looser fiscal policy if its economy slowed significantly.

He added, however, that the West German delegation had made no specific promises. Clearly irritated by the degree of pressure applied by other governments, Mr Bernhard Molitor, a senior West German Economics Ministry official, said that he doubted whether it would be politically possible for his government.

Continued on Page 14

# Deadline on US deficit accord 'may be extended'

BY JANET BUSH IN NEW YORK

THE chief Congressional negotiator in the budget deficit reduction talks with the White House warned yesterday that Friday's deadline might have to be extended in order to reach a detailed accord to cut the Federal deficit.

Mr Tom Foley, the House majority leader, said he was confident that a "general" agreement would be reached by Friday in time to avoid across-the-board cuts in Federal spending, but he predicted that implementing the accord would probably require more time.

The chief White House spokesman, Mr Marlin Fitzwater, said that the November 20 deadline could be allowed to slip if a deal is near, observing that Friday's date was "flexible" and "not legally imposed."

The budget summit talks - now in their third week - were never expected to produce a detailed deficit reduction package. But Mr Foley's comments yesterday suggested that negotiators were finding it difficult to pin each other down to specifics within the $30bn reduction package - which could presage further haggling and horse-trading next week.

The lack of agreement in Washington on cutting the US budget deficit continued to cast a pall over world financial markets yesterday. The dollar was marked down against major currencies in thin and nervous trading and share prices in London and New York were lower.

In London the FT-SE share index was 24.6 points lower at 1,660.1 on a lacklustre day's trading. The FT Ordinary share index was 15 points lower at 1310.6.

London took its lead from Wall Street where the Dow Jones Industrial Average opened about 50 points lower at the opening on continued concern over the budget deficit talks in Washington. The New York market closed 26.85 points off at 1922.25.

The painfully slow progress of this week's deficit talks has gradually sapped Wall Street's confidence, and there were signs yesterday of the flight into quality short-term government paper which accompanied the precipitous falls in US share prices in late October.

Trading in the dollar in Europe was subdued with dealers waiting for a lead from Washington to give the market direction. The US currency drifted lower throughout the day and closed almost 1 pfenning lower in London at DM1.6935 and almost Y1 lower at Y135.70 compared with Monday's close. In early New York trading the dollar continued to languish at these levels.

Last month's crash in equity markets was largely blamed on fears about the $148bn US Federal budget deficit, and the outcome of the summit talks is considered critical for the future course of world financial markets.

One informed observer of the talks in Washington said yesterday: "The less detail, the more scope for future argument."

But he said the lack of detail may not matter, providing the two sides can come up with convincing individual deficit reduction measures including some form of curb on entitlements such as social security. An agreement on how to cut defence spending is proving less difficult, he said.

# Schneider poised to sell telecommunications unit

BY PAUL BETTS IN PARIS AND DAVID MARSH IN BONN

SCHNEIDER, the French industrial conglomerate, is in advanced negotiations over the sale of its telecommunications assets to Robert Bosch, the West German electronics and motor components group.

The deal, worth an estimated FFr1bn ($172.2m), would involve Bosch taking control of the private telecommunications assets of Jeumont-Schneider, the telecommunications and electrical engineering subsidiary of the Schneider group.

Schneider said yesterday that nothing had been decided, but acknowledged that the group had been seeking a European alliance for its telecommunications businesses to provide the scale to compete in world markets.

Bosch confirmed that it was holding talks with Jeumont-Schneider on taking a stake in the French company's telecommunications operations. The talks were centred on increasing co-operation in business communications, where the two companies agreed two years ago on joint activities in the private branch exchange (PABX) area.

The German company added that talks were continuing and that no details could yet be given of the size of the stake Bosch is seeking. Bosch appears intent on clinching the deal fairly soon, but would not be more precise on the timing.

Schneider recently teamed up with Siemens of West Germany in an unsuccessful bid to take control of CGCT, the privatised French telecommunications group which has now been taken over by a partnership linking Ericsson of Sweden and Matra of France.

The deal with Bosch would represent the latest industrial alliance in the increasingly deregulated and fast changing world telecommunications market.

Last year's series of realignments in the public telecommunications market, including the merger of ITT's operations in the sector with those of the French CGE group and the battle for control of CGCT, was expected to lead to a similar trend in the private telephone sector.

Jeumont-Schneider, with annual sales of about FFr 1.6bn, is the second largest competitor in France for PABX exchanges, with about 40 per cent of the domestic market. However, the group has increasingly felt that it lacked the size to compete in the longer term.

The strength of competition in the sector is shown by the recent announcement from Northern Telecom of Canada that it was planning to make France the pivot of its new European private telecommunications operations.

Jeumont-Schneider already has close links with Bosch's telecommunications subsidiary, Telenorma, which is the second largest in the West German private telephone market with a 40 per cent share.

The French and German companies forged industrial and marketing ties two years ago, giving their products access to one another's markets.

The proposed telecommunications deal between Schneider and Bosch is part of a broader strategic redeployment by the Schneider group which has been restructuring itself since the collapse in 1984 of Creusot-Loire, its heavy engineering subsidiary.

Earlier this year, the group shed its railway manufacturing operations to Alsthom, the engineering subsidiary of CGE. At the same time Schneider, which also controls Spie-Batignolles, the construction and civil engineering group, and Merlin-Gerin, the electrical engineering concern, has been seeking acquisitions.

# Brussels wins key fight to influence takeovers

By William Dawkins in Brussels

**THE EUROPEAN Commission's right to take action against potentially anti-competitive Community-wide takeovers and mergers was upheld yesterday in a key ruling by the European Court of Justice.**

**The Court decided that the Commission acted correctly in setting conditions on an accord between two competing tobacco multinationals. The long-awaited judgment gives legal clearance to the purchase of a large minority stake in UK-based Rothmans International by Philip Morris, the US cigarette group that makes the Marlboro brand.**

**It is the fullest confirmation so far that the Commission has the legal power to use EC anti-trust rules to influence mergers and takeovers. The decision also sets out important new details of the conditions under which those rules can be applied.**

**"It indicates that the extent of existing legal means available to the Commission to deal with merger control is significantly greater than had perhaps been believed by some," said Mr Peter Sutherland, Commissioner in charge of competition policy.**

**The ruling is the climax of a three-year-old court action, started by two other tobacco groups, BAT and R.J.Reynolds, which claimed that the Commission had not been tough enough in demanding changes to an earlier deal between Philip Morris and Rothmans.**

**Philip Morris took an indirect 25 per cent voting stake in Rothmans in 1981. At the Commission's request, Philip Morris reduced its stake three years later to 24.9 per cent and agreed to take no part in the management of Rothmans or share-sensitive information.**

**The two companies also agreed to hold their EC tobacco operations separate for three months if Philip Morris sought to increase it stake, to allow further Commission inquiries. Now that this condition now has the court's backing, it can in theory be freely applied to other acquisitions.**

**BAT and Reynolds tried unsuccessfully to persuade the court that they were not properly consulted, that the Commission failed to look at the "anti-competitive purpose" of the purchase**

Continued on Page 14

# Goria bids to woo Liberals back to fold

BY JOHN WYLES IN ROME

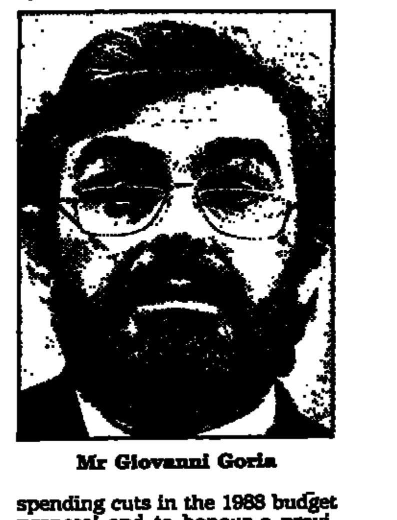
MR GIOVANNI Goria, Italy's former Christian Democrat Prime Minister, was last night working on the task - more difficult than originally expected - of assembling his second five-party coalition in only four months.

After one of the most rapid rounds of consultations conducted by any Italian president, Mr Francesco Cossiga decided before lunch that there were reasonable prospects that the "accountant from Asti," as Mr Goria is known, could reassemble a governing majority.

Mr Goria immediately made it clear that he would be trying to bring the Liberal Party back into the fold from which it peremptorily exited last Friday night. Although this precipitated Mr Goria's resignation, President Cossiga's cancellation of a state visit to Britain and a general incomprehension among many Italians, all the other coalition parties want the Liberals back.

This gives them a fairly strong negotiating position over the next 48 hours, as Mr Goria seeks to put together an agreed policy programme with the potential coalition partners.

The Liberal's concern last week was to include larger



Mr Giovanni Goria

spending cuts in the 1988 budget proposal and to honour a previous government undertaking to adjust tax rates for middle and lower income earners.

Mr Goria's problem is to find some accommodation with the Liberals without committing himself to rewriting the budget, which has already been through

Continued on Page 14

# IMF backs Amato plan

BY JOHN WYLES IN ROME

MR GIULIANO Amato, the Italian Treasury Minister, yesterday claimed that his controversial budget strategy had received broad endorsement from an in-depth study of Italy's economy by the International Monetary Fund.

By a happy coincidence, the IMF's conclusions dropped on his desk yesterday in the middle of a political crisis sparked by the Liberal Party's challenge to the contents of the revised budget adopted by the Government last week.

Meanwhile, as Mr Amato was outlining the IMF recommendations to a press conference, more than 100,000 pensioners were gathering on the streets of Rome to complain at the budget's lack of generosity in their regard and union leaders were pondering whether to go ahead with a general strike against the budget on November 25.

The IMF's study, the minister said, would create a "climate of favourable expectations about the Italian economy." Although it contained a number of question marks about the future, partly because of the political uncertainty during the IMF's visit over the past fortnight, it concluded that the economy "had remained healthy," said Mr Amato.

As before, the IMF's principal focus was on the need to cut the public sector deficit. Mr Amato's 1988 deficit target of less than 10 per cent of gross domestic product is welcomed as an improvement on this year's, which will exceed 11 per cent.

But the IMF warns about the dangers of exceeding spending targets - particularly by local authorities - and urges the government to have stand-by measures if the deficit looks likely to top the L103,500bn written into the budget.

According to Mr Amato, the IMF team placed special emphasis on the need to raise productivity and efficiency in the public sector and seemed doubtful about whether the Government could contain increases in tariffs for railways and other services to just 3 per cent in 1988.

The study stresses the importance of setting medium-term targets for public spending and the budget deficit to ensure that Italy's growth rates, inflation and current account "converge" with the rest of Europe.

In particular, it urges the government to aim for a surplus on the budget net of interest payments by 1990. The current deficit, net of interest, is just above 3.5 per cent.



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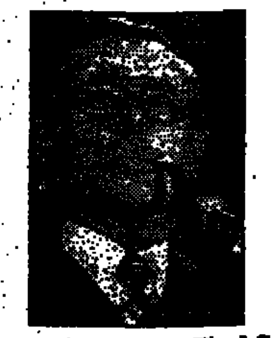


ENFANT TERRIBLE FINDS FAVOUR IN CRISIS

Professor Karl Schiller, Bonn's former Economics Minister, calls for aggressive tax cuts, Page 2

# Hungary reduces trade deficit

By Leslie Colitt in Berlin

HUNGARY, which has Eastern Europe's highest per capita debt to the West, markedly improved its hard currency trade and payments balances in the first three quarters of the year.

The Hungarian trade deficit fell to $465m at the end of September compared with $617m in the same period last year.

Similarly, the preliminary balance of payments deficit dropped to about $990m after a shortfall of $1.2bn in September last year. This had pushed up the net debt to $9.3bn this year ($16bn gross).

An official of the Hungarian National Bank said yesterday that the projected hard currency trade deficit for this year was $300m, against a $450m deficit in 1986.

He said the balance of payments was expected to show a deficit of between $900m and $950m by the end of December, compared with a $1.4bn deficit. The target was to cut the payments deficit to $700m this year.

Hungarian exports rose 8.5 per cent to the East and to developing countries in the first nine months while imports were up 2.8 per cent.

The official said Hungarian light industry in particular reacted to the 8 per cent devaluation of the florint earlier this year by boosting exports to the West of furniture, textiles, clothing and shoes. The Hungarian currency was devalued by a further 5 per cent last week.

He said Hungary's national income (equivalent to gross national product minus services) was expected to rise by nearly 2 per cent this year, nearly the same as the target.

Industrial output rose 2.8 per cent in the first nine months with growth strongest in chemicals (6.3 per cent) and weakest in light industry (0.8 per cent).

A spending spree continued to gather momentum for durable consumer goods, building materials and some foods, the official confirmed. It was in anticipation of higher prices next January when Hungary will introduce Eastern Europe's first value added tax.

The authorities had decided against raising interest rates on banks deposits in order to siphon off buying power. Instead they concluded there was little that could be done to stop the wave of buying.

# Schiller strides Bonn stage banging drum for economic boost

BY DAVID MARSH IN BONN

PROFESSOR Karl Schiller, the spare-limbed former West German Economics Minister, at 76 years of age still has the air of a perpetual *enfant terrible*. He is now making an unorthodox comeback to the political stage, as the most eminent domestic critic of Bonn's refusal to stimulate the economy further.

Economics Minister between 1966 and 1972 (and Finance Minister, too, in 1971-72), Prof Schiller has arguably played a more important role in shaping post-war economic policy-making in the Federal Republic than anyone except Ludwig Erhard.

His 1960s-style economic prescriptions based on a tough anti-inflation stance allied with Keynesian demand management had fallen heavily out of favour in Bonn. But during the past few weeks of worry about an international economic slowdown, his star has been rising again.

Since the New York stock market collapse last month, he has been urging the Bonn Government in press interviews to take a more aggressive line on cutting taxes to offset recessionary dangers.

Chancellor Helmut Kohl's coalition is ruling out any further action for the moment. But Prof Schiller's appeal for the Government to make use of the 1967 Stability and Growth Law - which he brought in himself - to cut taxes across the board by up to 10 per cent has been gaining support.

The Bonn Economics Ministry believes that recourse to the Stability and Growth Law is one of the options for next year if the economic outlook fails to improve.

According to Prof Norbert Walter, senior economist at Deutsche Bank in Frankfurt, making a temporary tax cut under the 1967 Law would be a "second best solution" compared with his preferred option, bringing forward by one year the planned 1990 tax cuts of DM20bn (£6.7bn).

However, he realises that Mr Gerhard Stoltenberg, the Finance Minister, faces difficulties in pushing an earlier tax bill

Schiller: trying to inspire party.

through the Bundesrat, representing the states (*Laender*). "If Mr Stoltenberg recognises that he has to do something, and if he can't persuade the *Land* Premiers, then the Stability and Growth Law is the only alternative which does not require the agreement of the *Laender*."

Prof Schiller lives these days with his fourth wife in a woodland villa outside Hamburg. He has, with apparent effortlessness, held on to personal popularity and a place in the public eye long after leaving office.

His series of marriages and his string of advisory posts for exotic foreign governments like Saudi Arabia and Pakistan have kept him in the limelight. He still holds an advisory post with Ford - and is due in China next year as an economic consultant to the Peking leadership.

He left in 1972 the Social Democratic Party (SPD) he first joined in 1946, but became a member again seven years ago. He is doing his best to inspire the party with some new economic ideas badly needed to give it a chance of returning to power.

As a leading member of the "Grand Coalition" of the SPD with the Christian Democratic Union (CDU) in 1966-69, Prof Schiller played a crucial role in bringing an SPD-led government to power under Mr Willy Brandt in 1969.

He resigned in July 1972 as "super-minister" in charge of both the economics and finance portfolios after the Government opposed his desire to tighten budgetary policies and allow the D-Mark to float - a course eventually forced by the foreign exchange markets nine months later.

Prof Schiller remembers that Mr Poehl, as an official in the Chancellor's office in Bonn, came to him in summer 1972 and supported his ideas on allowing the D-Mark to float. But, he says, that the influence of the Bundesbank on the Government during the past few years appears to have grown weaker.

The Stability and Growth Law set down a crucial role for budgetary policy in ironing out fluctuations in the economy. He also pioneered the "concerted action" programme of joint meetings between unions, employers and the Government, which was kept up into the 1970s but has since fallen into disuse.

He admits that "the possibilities for steering the economy through changes in budgetary spending have now been blunted." The Stability and Growth Law, requiring that taxes should be semi-automatically raised or lowered to compensate for overheating or under-performance of the economy, could do nothing against external shocks of the sort received from the oil price rises in 1973 and 1979, he says.

But he now believes its time has come again. He admits he has been worried for some time about the effect on the West German economy of a weak dollar caused by the US current account deficit - and says the Bonn government is underestimating the dangers of a recession.

# Geneva arms talks stretch into third day

By William Dullforce in Geneva

US AND SOVIET talks to resolve issues blocking final agreement on the worldwide abolition of medium-range nuclear weapons stretched into their third day yesterday with no definite indication last night that President Ronald Reagan and Mr Mikhail Gorbachev would have a treaty to sign at their scheduled summit meeting in Washington on December 7.

Mr Yuli Vorontsov, the Soviet deputy foreign minister, lunched with Mr Max Kampelman, the chief US arms negotiator, and with Mr Michael Armacost, the US Undersecretary of State for Political affairs.

The three scheduled a further meeting in early evening after, which, US officials said, Mr Kampelman might make a statement.

Mr Vorontsov and Mr Kampelman flew in at the weekend to help remove the obstacles that had surfaced as arms negotiators were putting what were thought to be the final touches to the treaty on intermediate-range nuclear forces (INF).

Both men voiced assurances in brief passing comments to reporters on Monday that the treaty could be concluded in time for the Washington summit. But the extension of Mr Vorontsov's stay suggested that the difficulties were proving to be obdurate.

Verification – ways guaranteeing that nobody cheats – has been mentioned as the principal remaining problem.

Reports from Washington and comments from diplomats in Geneva indicate that the Soviets are resisting a US demand that inspectors be allowed to visit sites at which Soviet strategic intercontinental missiles are built.

The Americans are apparently arguing that because Soviet medium-range SS20 and long-range SS25 missiles have the same first stage, they need to monitor the numbers of first stages being fabricated. This would in turn oblige the Soviets to disclose the sites at which they manufacture their strategic weapons.

# Norwegian minister may resign over Statoil budget lapse

BY KAREN FOSSLI IN OSLO

NORWAY'S parliamentary watchdog has sharply criticised Mr Arne Oeien, the country's Oil Minister, for allowing Statoil's Mongstad refinery and terminal expansion project to overshoot its budget by NKr5.4bn (£476m), sparking speculation that he may be forced to resign.

Besides causing a new crisis of confidence in the minority Labour Government, the cover-up by Statoil, the national oil company, is likely to force Parliament to break up the company into separate divisions.

Riksrevisjonen, the general auditor, has accused the minister of failing to obtain verifiable information from the company at an earlier stage of the project. It claims that the minister did not take the initiative to research Statoil's management of the project until it was too late.

The report to the Storting (Parliament), published yesterday, also accuses Statoil of giving the general auditor and the Oil Minister misleading information during their investigations. It implies that Statoil also made calculated efforts to cover-up the project's problems by withholding information from its board of directors, the Minister and parliament.

Statoil could have stopped the project during 1986 with very little cost penalty, says the report. But the company actually lost control of the project as early as June 1985, it says, referring to an in-house study which referred to cost over-runs totalling NKr1.6bn by that date.

The president of Statoil, Mr Arve Johnsen, has gone on record as saying that the first time that he was aware of project cost over-runs was in April this year.

At the end of July, Mr Johnsen met Mr Oeien to brief him on the "NKr3.8bn economic problem" which his company had encountered in the project. By early-October the Oil Minister ordered an investigation. This outlined when and how the project went awry but stopped short of recommending replacement of top Statoil management and board members.

Yesterday, Mr Oeien said that "although Mongstad has made the matter more urgent, we would have pursued this issue anyway." He said that splitting up the company into separate entities would provide a more "transparent" means of determining its overall profitability.

# Agreement likely on car exhaust standards in EC

BY QUENTIN PEEL IN STRASBOURG

THE European Parliament is today set to remove the last major hurdle in the way of agreement on common European Community standards for car exhaust fumes, which have been blocked by disputes between the member states for the past three years.

The environment committee of the parliament agreed yesterday to drop its demands for much stricter standards, and more rapid enforcement, than have been proposed by 11 of the 12 member states.

The decision means that the parliament is now virtually certain to accept the "common position" approved by the EC Council of Ministers, as required under the new rules of the Single European Act, and allow the clean air standards to come into effect.

It marks a defeat for the environmental lobby, especially in Denmark and West Germany, where more rigorous controls on exhaust fumes, comparable with US standards, were sought.

However, Denmark is expected to try to impose its own higher standards at home, under a special clause of the Single European Act allowing member states special national controls if they are based on environmental or public health grounds.

The whole case - involving huge investment for the European motor industry to comply with the standards - amounts to the first really controversial test case for the Single Act, the reform package to the Treaty of Rome which came into effect last July 1.

If Denmark does insist on acting alone, it could well be challenged in the European Court for imposing an effective trade restraint.

# Daimler chief castigates West's policies

BY ANDREW FISHER IN FRANKFURT

WESTERN governments have been accused of "a catastrophic lack of economic policy-making competence" by Mr Edzard Reuter, chairman of Daimler-Benz, West Germany's largest industrial company. He also singled out Bonn for criticism because of its adherence to policies which put price stability before growth stimulation.

Speaking in New York this week, Mr Reuter said it was essential for governments to agree a new growth concept for the world economy, if the economic crisis was not to turn into a political one.

If Europe expected the US to cut its budget deficit, he said, then the US was equally justified in demanding that European governments, particularly West Germany, "should at last abandon their over-anxious economic deflationary strategies."

This criticism of West Germany's stability-conscious stance comes amid signs of emerging awareness in Bonn that more action is needed to encourage growth in the face of gathering world economic problems. Mr Reuter's strong remarks are the first by the head of a big domestic industrial concern to cast serious doubts on present government policies.

There was a growing feeling after the collapse on world stock markets, he said, that a serious crisis could develop. If countries were not ready for joint action, "this sort of crisis in the world economy could have an explosive effect on the East-West conflict."

But he warned against too rapid action in the US. "An excessive cut in American spending combined with a major increase in taxes would carry the risk of a worldwide recession and a dangerous increase in developing country debts," he said.

He argued for a solution to the problem of poor countries' debts as part of a new international growth concept. He agreed with Mr Alfred Herrhausen, co-chairman of Deutsche Bank, that creditor nations should partially waive repayments of such debts.

# Borrowed D-Marks prop franc

By David Marsh

**HEAVY short-term borrowing in D-Marks by the Bank of France to finance recent support for the French franc amounts to the first significant use of new intervention rules within the European Monetary System (EMS) agreed two months ago, according to senior Bundesbank officials.**

**The Bank of France has borrowed around DM10bn(£3.35bn) from the Bundesbank under central bank credit arrangements channelled through the European Monetary Co-operation Fund. The Bank of France has sold the D-Marks to shore up the franc during the period of EMS strain which started last month.**

**Actual intervention to support the franc amounted to slightly more than DM10bn as the Bank of France also has drawn down some of its own D-Mark reserves.**

**The EMS has calmed since the Bundesbank and Bank of France took interest rate action on November 5 to defend currency levels. Yesterday in Frankfurt the franc was fixed at DM 29.565 per FFr 100.**

# Kadar voices confidence on EC trade link

HUNGARY could tie up a far-reaching trade and co-operation agreement with the European Community Hungarian leader Mr Janos Kadar said yesterday, Reuter reports from Brussels.

However, Mr Kadar, 75, said, that EC member states were divided over whether to back a deal that would give Hungarian exports easier access to Community markets.

"There are many who support the agreement. Some have not made up their minds. But we want conditions to show that we can also compete," said Mr Kadar after a two-day visit to Brussels.

Community officials say some key states oppose scrapping export quotas for a country which does not operate a full market economy.

Hungary, which does not have diplomatic relations with the 12 EC nations, has followed Moscow's lead for years in shunning formal ties. However, the EC and the eastern bloc trading alliance Comecon are preparing a declaration that should clear the way for normal relations between the EC and individual east European states.

# Solidarity leaders urge end to Polish industry's job discrimination policy

PROMINENT POLISH intellectuals and Solidarity leaders have urged the Government to recognise free trade unions and abolish a preferential job appointment system if it wants to gain support for its reform proposals, Reuter reports from Warsaw.

In a statement issued after a meeting in Warsaw earlier this month, they said Poland was in the grip of serious political, social and economic dangers and that the crisis could only be overcome through open and honest negotiations.

The 60 signatories included the leader of the banned Solidarity trade union, Mr Lech Walesa, fellow union activists Mr Bogdan Lis and Mr Zbigniew Bujak, veteran dissidents, Mr Jacek Kuron and Mr Adam Michnik, and senior academics such as Mr Henryk Samsonowicz, former rector of Warsaw University.

Poles will be asked to vote in a November 29 referendum on proposals including an economic austerity programme while offering some political liberalisation.

"There will not be any trust and real support for reforms and economic policies without guaranteeing union pluralism, without genuine workers' representation," said the statement, dated November 7 but only just issued.

"Today, when Solidarity is deprived of legal forms of activity, the idea of reforms is under a question mark."

Solidarity was suppressed under martial law in 1981.

The statement added that assurances about equal opportunities would fall on deaf ears until the authorities abolished the "nomenklatura" system of appointing people with Communist Party affiliations to top jobs.

It called for "mutual respect of partners, honest negotiations, freedom of public opinion and the creation of conditions of trust... to achieve a breakthrough in the dangerous situation."

# Denmark seeks to cut export industry costs

BY HILARY BARNES IN COPENHAGEN

THE Danish Prime Minister, Mr Poul Schlueter, yesterday began a round of tripartite talks with trade union and employers' leaders in an effort to improve the competitiveness of exports.

The Government wants to reduce employers' social security taxes by Kr6,000 (£522) per employee and to increase the government share of sickness payments, costing the Government a total of Kr12bn.

It will raise most of this by introducing a new tax based on value added.This would give the export industry a wage cost reduction of about 5 per cent.

However, the Prime Minister wants assurances that benefits from reduced taxes would not be eaten up by wage increases.

# Genentech wins approval for heart drug

BY LOUISE KEHOE IN SAN FRANCISCO

GENENTECH, the San Francisco biotechnology company, has won Food and Drug Administration (FDA) approval for what many medical experts call the first "blockbuster" biotechnology product, a drug which dissolves the blood clots that cause heart attacks.

The FDA approval of tissue plasminogen activator, or TPA, represents a breakthrough for Genentech and an unusual reversal by the FDA. In May, an FDA advisory panel rejected the drug, saying further studies were needed to prove that it prolonged life.

Announcing the FDA approval last Friday, Mr Frank Young, the FDA commissioner, called the drug "a dramatic example of the benefits of biotechnology in helping to improve medical care."

TPA, which will be marketed by Genentech under the brand name Activase, "is a natural product of the body now available, thanks to biotech production, in sufficient quantity to use as a treatment," Mr Young said.

The drug is a genetically engineered copy of a natural protein, produced in minute quantities in the body, which dissolves blood clots associated with heart attacks. According to the FDA, the drug is most effective if administered within six hours of a heart attack.

After the FDA announcement, Genentech said it would double its sales force to 150 and begin selling Activase in the US teaching hospitals, where most heart attack victims are treated.

# East Germany warns of arms imbalances

EAST Germany said yesterday a disarmament process which started with the removal of medium-range nuclear missiles should not be endangered by imbalances in conventional arms or a build-up of other weapons, Reuter reports from East Berlin.

Foreign Ministry spokesman Mr Wolfgang Meyer said that in addition to a US-Soviet medium-range missiles deal, East Germany now regarded as priorities cuts in strategic nuclear forces, a stronger Anti-Ballistic Missile (ABM) treaty, a chemical ban and a halt to nuclear weapons tests.

Mr Meyer's written statement was in response to a question asking what East Germany expected from the December 7 summit meeting between Soviet leader Mr Mikhail Gorbachev and President Ronald Reagan.

Soviet and US arms negotiators in Geneva are finalising details of a medium-range missile accord so that Mr Reagan and Mr Gorbachev can sign it at the Washington summit.

The EC member with the biggest stake in the Community's agricultural policy is no longer a barrier to reform, reports Ian Davidson

# Free-market French Government ready to contemplate CAP changes

AGRICULTURE IN THE EC

FRANCE

**The spiralling costs of the common agricultural policy threaten to undermine the European Community's attempts to provide a sounder basis for its future financing, the central issue at the heads of government summit in Copenhagen on December 4-5. In the fifth of a series of articles from national capitals, we look at the political, economic and social factors influencing individual governments on the farm issue**

AS THE European Community's largest producer of traditional temperate farm products and its largest exporter (at least as important), France has in many ways the biggest stake in the vigorous survival of the Common Agricultural Policy.

It is all the more striking, therefore, that the French Government no longer offers even token ideological resistance to the notion of reform of the policy, even if French officials profess to find the word "reform" somewhat tasteless.

Far from defending the protectionist nature of the CAP come hell or high water, French officials now freely acknowledge the need to restore some order to the policy. As one might expect from a right-wing government which has embraced the virtues of free-market economics, they go on to argue that reform must be aimed at efficiency and competitiveness. Agriculture should be, they imply, an economic activity like any other.

There are several reasons for this change of emphasis. First, there is the apparently inescapable growth of farm surpluses in the Community, the costs of which are once more in the process of breaking the Community bank. Second, these rising costs have started to show up as net financial transfers from France to other member states (notably the UK) and these transfers are likely to prove structural if not actually permanent.

Third, the latest enlargement of the Community, to include Spain and Portugal, must inevitably swing the balance of advantage, or at least the weight of claims, against France in favour of the Mediterranean producers. These poorer countries are 20 years behind their northern neighbours in the modernisation of their agricultural sectors and if they were to repeat the errors of the first 20 years of the CAP, in which income support through high market prices was given priority over modernisation and efficiency, the cost to the richer member states would be heavy indeed.

Fourth, at a moment of general deterioration in the French trade balance and widespread anxiety over the question of French economic competitiveness, the French are acutely aware that farming has become one of the country's biggest, most successful and most competitive export sectors. If the reform process could be used to enhance this competitive edge, it could maximise France's relative advantage over the rest of the Community as well as the rest of the world.

All of which helps to explain why French officials, who used to be sworn opponents of every element of British policy towards the CAP, are now ready to admit that France does have common interests in agricultural policy.

Finance is the first of the issues on which there is, if not a real common interest, at least a reluctant convergence. Traditionally France is a net beneficiary of the Community budget. In practice, as a result of the British Government's successful campaign in the early 1980s to secure a substantial reduction in its large net transfer to Brussels, France has become a net contributor.

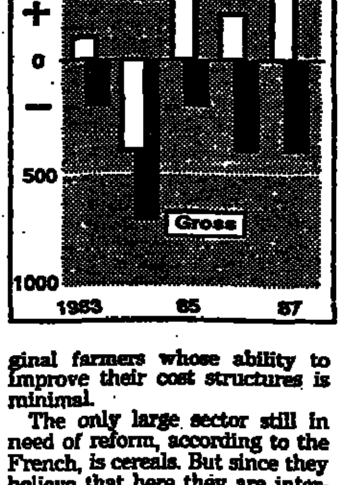
Everybody in Paris knows that Mrs Thatcher will not agree to raise the ceiling of the Community's budget without virtually cast-iron guarantees that farm production in future will be contained through the working of the famous stabiliser mechanisms proposed by the Commission. In practice the French have come round to the view that Mrs Thatcher's logic is not all that disagreeable to French commercial interests, provided it is not used to hold the CAP to ransom through permanent and repeated crises.

French commercial interests go a long way to explain French attitudes in the Brussels negotiations. More surprising, perhaps, is the optimistic interpretation placed in Paris both on what has been achieved so far in reforming the CAP and on the prospects for further progress. Only two issues loom ominously on the agenda: the problems of import substitutes for cereal feedstuffs and olive oil and fats.

The introduction of milk quotas has significantly reduced Community production and within a short time has brought it much closer to equilibrium. No further cut in quotas is likely. The only question is whether the present level will be described as permanent or temporary.

The reforms affecting beef production, according to the French, are already tough and have led to a 20 per cent cut in the price this year. As a result of slaughtering, they forecast, the cost of beef support will fall by half.

It is sometimes said that the French Government approves of milk quotas because milk is not a large export product. At best this is only a partial explanation, since milk products last year accounted for one-tenth of French farm exports, coming third after cereals and drink. The other part of the reason, no doubt, is that milk is an essential cash source for small and marginal farmers whose ability to improve their cost structures is minimal.




The only large sector still in need of reform, according to the French, is cereals. But since they believe that here they are internationally competitive with all but the very best, they are prepared to contemplate price cuts even in nominal terms. Yet they argue with some passion that if cereals producers can be asked to accept a co-responsibility levy, there is no good reason why a similar levy should not be imposed on imported substitutes.

With equal passion they demand a fats tax, primarily to ward off a vast explosion in Spanish production of olive oil. At present the Spanish farm price for olive oil is much lower than that of the old Community members, but by 1992, at the end of their transitional period, it will have trebled. Even the Spanish (according to the French) are anxious to prevent this happening.

More reform is bound to mean a further squeeze on farm incomes. But while the French Government accepts the idea of compensating subsidies, it is vigorously opposed to any income guarantees which could act as a production incentive.

One reason is a fear that direct income support would go mainly to the poorer Mediterranean areas. Another is that they can see the opportunity for a significant improvement in efficiency if it is not gratuitously thwarted.

The decline in the French farm population has slowed down substantially in the past few years, partly because at 7 per cent of the active population it is approaching a hard core, partly because the prolonged recession has reduced alternative job opportunities.

But the demographic profile is heavily skewed towards those in late middle-age, with the result that over the next 5 to 10 years, the farm population will fall dramatically, perhaps by as much as half.

The French Government is firmly against what it calls the "desertification" of the countryside. But the natural result of a cut in the farm population ought to be that the remainder are more competitive.

*Previous articles in this series appeared on October 29, November 4,6 and 12.*

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# Ershad sounds out opposition to end deadlock

BY SAID KAMALUDDIN IN DHAKA

THE Government of President Hussain Mohammad Ershad has sent feelers to the two top interned Bangladesh opposition leaders – Mrs Sheikh Hasina and Begum Khaleda Zia – proposing an end to the present impasse through negotiation.

Two Cabinet ministers are understood to have met the two opposition leaders early on Monday and yesterday, spelling out the concessions the Government was willing to make. So far there appears to be no positive reaction to the interviews.

The meetings have taken place against a background of violence during the 6am to 2pm hartal (strike) called by the mainstream opposition alliances in the past week in Bangladesh.

The Government was willing to provide adequate powers to the Parliament, making the Council of Ministers responsible to it and giving more powers to the Prime Minister. The Government appears to be working towards the Pakistan model where the Prime Minister has been exercising the power and authority, ceded to him by the Pakistan president, of a head of the government, according to reliable sources.

Some other demands raised by Sheikh Hasina's Awami League and Begum Khaleda Zia's Bangladesh Nationalist Party (BNP) could also be discussed once a principle was established.

The opposition has united to launch a movement seeking President Ershad's resignation and the installation of a neutral government under which a free and fair election could be held.

A senior opposition spokesman said that while he would prefer certain procedures to be worked out with the administration before phasing out the present government, the opposition alliances would find it difficult to negotiate with President Ershad. The offer was too little, too late, the opposition spokesman said, and in the event of its acceptance, the party rank and file might revolt.

Meanwhile the mainline opposition alliances announced yesterday their programme for observing a 48-hour countrywide strike, beginning at 6am on Saturday, to demand President Ershad's resignation and the release of the two interned opposition leaders. There will be no more strikes in the next three days.

# Quit call to Taiwan bank chief

**ANGRY Taiwan legislators have demanded the Central Bank governor's resignation after he revealed massive losses on the island's currency reserves, the second largest in the world,** Reuter reports from Taipei.

**Chang Chi-cheng told parliament yesterday the bank had suffered paper losses of Taiwan $348.6bn (£6.7bn) over the past 16 months because its US dollar stockpile had slid in value against the Taiwan dollar.**

**He said the reserves - exceeded only by those of West Germany - were now US$70bn. They would cover about three years of imports.**

**The largest chunk of Taiwan's cash reserves is in US dollars, which have declined by more than 20 per cent against the local currency since last June.**

**"The Central Bank has made a wrong investment by holding so much US currency," said Huang Ho-ching, a legislator with the ruling party. "I demand your (Chang's) resignation."**

**Chang said about 40 per cent of the reserves were held in low-yield securities. They included US, Japanese, West German, Swiss and British government bonds and treasury bills and short-term bonds issued by international institutions such as the World Bank.**

John Madeley looks at efforts to increase regional co-operation

# Pacific states fish for greater unity

WHEN NEWS of the first military coup in Fiji reached a neighbouring Pacific island country, an emergency cabinet meeting was immediately called. Its sole purpose was to discuss how to make the most of the economic difficulties that post-coup Fiji would face.

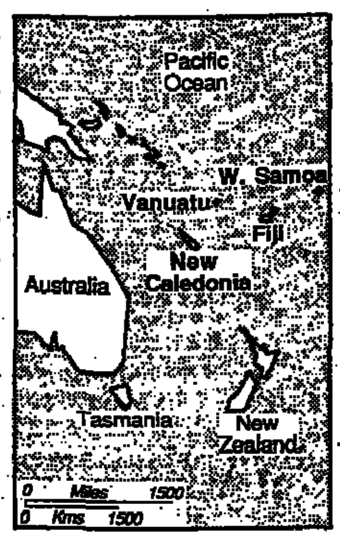
"Pacific island countries co-operate well together politically," said a senior diplomat in the region, "but economically, they fight their own battles."

Fiji's sheep and goats are still *in demand in neighbouring* countries, but there is little economic co-operation or trade between the 15 island states that make up the South Pacific Forum. There seems to be a lack of interest in doing things any differently.

At the annual forum meeting last year, for example, prime ministers rejected the idea of a regional tender for petroleum products. Together the 15 countries spend $400m (£229m) a year on oil imports for their joint population of 5m. At present the oil companies charge the islands a range of prices.

The World Bank estimates Pacific island states could save at least $25m a year on their oil imports by bidding as a group. For Western Samoa, which claims its fuel bill is crippling the economy, a saving of 17 per cent would be possible.

The prime ministers decided, however, that regional bidding was impracticable, although the option remains open. The island countries see themselves chiefly as competitors, each trying to attract tourists and to sell similar types of tropical products in world markets. There are few joint economic ventures that seem to make sense.




Distance between the islands - dotted in more than 12m square miles of ocean - serves as a general barrier to economic co-operation, but there was a recent and unprecedented exception.

Earlier this year, after two years of negotiations and helped by the UN's Food and Agriculture Organisation, the island states concluded a complex $60m five-year treaty with the US over fishing rights in their 200-mile exclusive economic zones.

Provided the treaty is ratified by the US Congress, up to 50 licensed US vessels will be able to fish to within 12 miles of shorelines. The treaty gives the island states *the right to place an* observer on each vessel and in practice about one in four ships are likely to carry such a watchdog.

This exercise in economic co-operation will enable the islands to earn more from their fish and could encourage other types of economic co-operation. Attempts are now being made to strike a similar deal with Japan.

But in the immediate future the islands feel the most need for greater co-operation over political issues. Protection of the Pacific Ocean against nuclear testing and dumping is high on the agenda.

The countries sense that only if they work together are they any match for the weight of large Western powers such as France, which has aroused particular anger because of its refusal to stop nuclear testing at Mururoa atoll.

Britain and the US were less than popular when they refused to sign the Rarotonga Treaty, agreed earlier this year, which made the South Pacific a nuclear-free zone.

The dispute opens the way to other countries increasing their influence in the region - Libya recently forged links with Vanuatu - and this could shake the West out of complacency. The willingness of the US to conclude the fishing treaty may have been helped by a desire to keep Soviet fleets away from the region.

A big increase in Japanese development aid to the islands is also noticeable and is expected to lead to a strengthening of Japanese-Pacific island trade and co-operation - possibly to the detriment of trade between the Pacific and Europe.

The US tends to be regarded with suspicion in the region because it appears to see the South Pacific as a possible dumping ground for nuclear wastes.

Western Samoa was recently wooed by a Californian company which wanted to ship waste oil to dump in one of its bays. The move was thwarted by determined action from the Samoans rather than by any concerted move by the whole region.

But the South Pacific Forum is seen as the body through which the region's interests can best be defended. The signing of a regional defence pact, as suggested in a Commonwealth secretariat report, is likely to be the next significant aspect of co-operation. Although Australian influence is strong in most of the region, it is New Zealand's defence policy which wins general approval.

The diverse make-up of the different island states makes any general fallout from the Fiji coups unlikely. In a number of countries, however, pressure is building up for reforms to give people more genuine democratic power.

*John Madeley is publisher and editor of International Agricultural Development.*

# Australian $ recovers ground

By Chris Sherwell in Sydney

THE Australian dollar recovered more ground and money market interest rates declined following the publication yesterday of a better-than-expected deficit on the current account of the balance of payments.

The figure of A$1.18bn (£466m) for October was well below the predicted range of A$1.3bn to A$1.7bn, and led Mr Bob Hawke, the Prime Minister, *to say that the deficit was on* course for the A$11.5bn forecast for 1987-88 in last August's budget.

The Australian dollar reacted positively in Sydney, with the trade-weighted index finishing at 52.5 (May 1970 = 100), well up on Monday's close of 51.9. Over the past week the currency has strengthened daily from its lowest point in a year of 50.7.

Yields on 90-day bank bills dropped to 12 per cent from 12.65 per cent on Monday, and those on 10-year bonds also fell, prompting some bankers to speak optimistically about the interest rate outlook.

On the stock market the All-Ordinaries index, covering 325 stocks, finished 5.2 points higher at 1,296.8. The market has now recovered almost 150 points from last Wednesday's 1,150.5.

Mr Paul Keating, the Federal Treasurer, said the figures provided further evidence of the continued improvement in Australia's trading position.

# SA pilot missing after Angolan operation

BY ANTHONY ROBINSON IN JOHANNESBURG

THE South African Defence Force (SADF) yesterday reported that one of its pilots was missing after his Impala jet fighter crashed during night operations against South West African Peoples Organisation guerrillas in southern Angola on Sunday.

The latest indication of continuing South African operations against both Swapo forces in Cunene province and Cuban and Soviet-backed Angolan government Fapla forces in Cuando Cubango province comes amid a welter of claims and counterclaims by both sides.

South African military sources told local editors that Fapla forces were beating a more or less orderly retreat to their base camp at Cuito Cuanavale after heavy losses inflicted mainly by rebel Unita forces north of Mavinga. Unita forces were backed in the latter stages of the battle along the Lomba River by South African air and ground support, sources said.

Apart from beating off the *Fapla drive against their forward* base and airstrip at Mavinga, Unita forces had also taken advantage of the withdrawal of Fapla forces from other regions prior to the Mavinga offensive and were keeping Fapla and Cuban forces "busy and tied down right up as far as the oil-rich Cabinda enclave."

According to South African estimates Fapla forces lost 3,037 dead and around 10,000 injured between July 13, when the offensive against Mavinga moved off from the base staging area of Luena, and November 3. It lost a further 590 in the 10 days to November 13 when South African forces began what they call their "limited support" for Unita. In return the SADF reported only 19 deaths in fighting against Fapla and 14 against Swapo.

The latter includes the 12 men killed when South African and Namibian-based forces attacked the Swapo base camp in the Cuvelai region over 250km from the Namibian border at the end of October with the claimed loss of 150 Swapo guerrillas.

In an interview with the Mozambican news agency AIM, Gen Franca dos Santos, the Angolan Chief of Staff, claimed that Fapla had lost 242 dead to 696 Unita dead, and had knocked out 12 South African tanks, 24 vehicles and 39 aircraft.

*The SADF claims* "minimal losses of hardware, including two Ratel armoured cars, three aircraft and the latest Impala jet. Air losses include one spotter plane and its two-man crew, a mirage jet fighter whose pilot was badly injured in a forced landing in Namibia, and the latest unidentified aircraft shot down over southern Angola.

# Iraq attacks nuclear site as Tehran troops mass

BY TONY WALKER IN CAIRO

IRAQI warplanes yesterday attacked an unfinished Iranian nuclear plant in the Gulf amid indications that Iran may be on *the verge of launching a big* offensive east of Basra.

Iran is reported to have massed up to 250,000 troops near the Basra battle zone in preparation for a new drive against Iraq's beleaguered southern city. Iraq also reported yesterday that it had repulsed an Iranian thrust in the central sector east of Baghdad.

The Iraqis said they had beaten back three infantry battalions. There was no independent confirmation from Iran that it had launched such an offensive.

The latest ominous signs of a looming land battle in the Gulf coincided with indications from New York that United Nations peace efforts were faltering. Iran had shown little interest in the latest round of UN sponsored attempts to bring about a ceasefire. Officials in New York say the two sides remain far apart.

Iraq claimed that its attack on the Bushehr plant had left it ablaze. Iran's national news agency Irna charged that the air strike was "in blatant contempt of international conventions including the Geneva protocol of 1970."

In the mid-1970s, Iran began constructing the nuclear plant on the Gulf coast near its main Kharg Island oil-loading terminal. Work being carried out by Kraftwerk Union of West Germany was suspended after Iran's 1979 revolution.

Iran mounted a major offensive east of Basra in January this year. Its forces moved within about 13 km of the city, but suffered terrible casualties in the process. Western officials in the region note that the time of the year favoured by Iran for its big offensives has come around again. Iran may see a new thrust on the battle front as one way of sending a message to Arab states which condemned it at an emergency summit in Amman last week.

● Irna has quoted Mr Farouk al-Shara, Syria's Foreign Minister, as reaffirming Tehran-Damascus solidarity. It quoted him as rejecting criticism of Iran at the recent Arab summit in Amman.

# Signs of progress in Sino-Indian border talks

BY JOHN ELLIOTT IN NEW DELHI

HOPES of progress soon on the long-running Sino-Indian border dispute have risen following three days of talks between the two country's foreign ministry officials in New Delhi this week.

There is now a chance that the talks may be raised to ministerial level some time next year. This would be a major breakthrough following years of differences between the two countries which have involved occasional border clashes.

Shortly after the talks finished yesterday, Mr Rajiv Gandhi, the Indian Prime Minister, expressed confidence that a solution would be found but warned against expecting it to be quick and easy.

The Indian External Affairs Ministry said that "an atmosphere has been created for further development of relations in all fields and for the settlement of differences." Both countries expressed the desire for "peace and tranquility" on the border.

Earlier this year tension rose sharply with both countries accusing each other of moving troops across their ill-defined Himalayan border which stretches from disputed Indo-Pakistan areas of Kashmir in the west along the southern edge of China's Tibetan region to the Indian State of Arunachal Pradesh in the east. The main areas of difference are at either end in Kashmir and Arunachal.

# AMERICAN NEWS

## Mexico to consider Sandinista plea for oil

By David Gardner in Mexico City

Mexico has agreed to consider resuming oil supplies to Nicaragua despite unpaid oil debts of $530m and questions over whether Managua would be able to pay for imports.

President Daniel Ortega of Nicaragua, who ended a surprise visit to Mexico City on Monday night on his way back from Washington, said he and President Miguel de la Madrid had agreed to examine concrete formulas to reactivate oil supplies.

President Ortega said these formulas would be within the framework of the San Jose Pact, through which Mexico and Venezuela have provided Central American and Caribbean nations with oil on concessionary terms since 1980.

The pact requires 80 per cent of oil purchases to be paid for in cash, with the rest converted into a soft, long-term development loan. But Nicaragua, which still owes Mexico about $530m for oil, has made it clear in the last six months that it has nothing like the foreign exchange earnings needed to re-enter the San Jose Pact.

Venezuela ceased shipments to Nicaragua in late 1983, citing unpaid oil debts of $30m but in fact it was motivated more by unease at the leftward drift of the ruling Sandinistas.

Mexico has sent only one shipment since mid-1985. Senior Energy Ministry officials said privately last week there were no plans to renew crude deliveries to Nicaragua. "They can't pay, it's as simple as that."

In June this year, Mexico led unsuccessful efforts to mount a Latin American bail-out of Nicaragua, which has come to depend almost entirely on the Soviet Union for oil and arms.

The move followed Sandinista representations in several Latin American capitals, after Moscow said it would no longer meet all Nicaragua's fuel needs.

Nicaragua's oil plight is expected to be discussed at the summit of eight Latin American countries in Acapulco at the end of this month.

### IMF visit delay

MR Luiz Carlos Bresser Pereira, the Brazilian Finance Minister, has asked an IMF delegation to postpone for a week a trip to Brazil because he has to attend a Latin American ministers' meeting, **AP-DJ reports from Brasilia.**

Peter Marsh reports on transatlantic reaction to $4bn satellite launcher programme

## US welcome for European space investment decision

THE DECISION by the 13-nation European Space Agency to expand its space programme into manned flight will strengthen Western Europe's position in joint transatlantic space programmes, US observers say.

In particular, the go-ahead ESA gave last week (Nov 10) to its $4bn Columbus orbiting laboratory should, according to US space specialists, put ESA in a good bargaining position in the final stages of the negotiations with the US over establishing an international space station in the mid-1990s.

Many in the US believe Western Europe is correct in its decision to build its own vehicles to put people into orbit – it will put the continent on the same footing as the US and the Soviet Union – despite the high cost.

The European manned space package, to be developed by the end of the century, comprises Columbus together with the French-inspired Hermes manned vehicle and the Ariane-5 launcher which will take Hermes into orbit.

The bill for developing the three systems will be about $13bn, a price that is too much for Britain, the only ESA member to announce it has no immediate plans to participate in any of the projects. The UK has taken this line because it believes the manned programme is too expensive and will lead to few commercial advantages.

Professor John Logsdon, a space-policy specialist at George Washington University in Washington DC, agrees with the UK that manned space flight programmes are "largely symbolic," but thinks they are worthwhile nonetheless.

"In the 21st century the ability to operate in space both with machines and humans will be an indicator of being a major power," said Prof. Logsdon. "It is a matter of judgement as to whether you think the rewards from this are worth the cost."

In taking its position the UK is "certainly swimming against the tide," said Prof Logsdon, noting that beside the US and the Soviet Union, Japan is to develop manned systems.

According to the professor, the firm ESA stance over Columbus will strengthen the European hand in talks with the US over the US-led international space station project. Despite two years of discussions, the two sides are still some way apart on terms for European participation, particularly over how the orbiting base will be managed and to what degree military-related experiments will be allowed.

Mr Nicholas Johnson, a US authority on world space programmes, said the Columbus decision may mean ESA can exert pressure on the US to give way to some European demands.

"Europe may be in a better position to say that if the US insists on the many conditions then it will go its own way," said Mr Johnson, a space scientist at Teledyne Brown Engineering, a US aerospace company. "It could either develop its own orbiting base, or possibly link up with the station the Soviet Union is planning for the 1990s."

Mr Johnson finds it difficult to understand the UK stance over the manned element in the European space programme. "The UK argument is like Europe saying in the 16th century that it could see no point in going to North and South America because there is no immediate return on the investment. Space is going to be developed whether you like it or not – either you join the pack and get a measurable return or you stay at home and get nothing."

Mr James French, vice president of American Rocket Company, an enterprise in California which is developing a private-sector satellite launcher, said he had every sympathy with the European view that it should develop its own manned space system independently from the US.

Mr French, an aerospace veteran who worked for 19 years for the US National Aeronautics and Space Administration, said in the past the US had not kept to agreements with Europe over joint space ventures. "If I was a European I would want to build my own manned system rather than rely on the US," said Mr French, adding that in his view manned space transport would be vital in the future "because not everything you want to accomplish in space can be done with unmanned systems."

Lone support for the UK view over the lack of necessity to put people into the heavens came from Mr Dan Greenberg, a respected science commentator in Washington who edits the newsletter Science and Government Report.

"Manned space programmes are a ravenous enterprise that consumes everything else," said Mr Greenberg, who argues the US space programme would be in far better shape had the country left its astronauts on the ground.

"Putting people into space is very seductive, but I believe that by following the US, Europe is treading a foolish primrose path. I predict the costs of Hermes will soar and that it will underperform," he said.

## Reagan 'softening line' on strategic arms talks and SDI

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE UNITED STATES is moving towards a more flexible position in strategic arms talks with the Soviet Union, say arms control advocates in Washington.

Mr Paul Warnke, a former director of the Arms Control and Disarmament Agency and the chief negotiator of the unratified Salt II arms control accord, said yesterday he was encouraged by imminent agreements between the White House and Congress and by comments from Mr Frank Carlucci, the new Defence Secretary.

The Senate and House Armed Services committees are thought to have reached agreement with the White House on clauses in the 1988 Defence Authorisation Bill. Under this the White House would agree not to conduct tests under the Strategic Defence Initiative in this fiscal year which would breach the narrow interpretation of the 1972 Anti-Ballistic Missile Treaty. The Administration is also expected to agree not to go further in violating Salt II limits.

Congressional staff concede there is still a chance that Mr Reagan will veto the Defence Bill in order to avoid being bound by these limitations. But they believe this is unlikely as Mr Carlucci has been among those working on the terms of the bill.

Mr Carlucci appears more willing than his predecessor to accept that SDI has its limitations, particularly over whether it would be cost effective.

The Soviet Union has said progress on reducing long range strategic nuclear missiles must be linked to an agreement to curb the development of strategic defences.

Conservative supporters of SDI in Washington appear dismayed by signs of a shift in the Administration's position.

The Washington Times, a newspaper which often reflects conservative views, reported yesterday that the Reagan Administration was being urged to investigate whether US scientists, aided by Mr Paul Nitze, the Administration's top arms control adviser, last month met their Soviet counterparts to craft curbs on the SDI programme.

The newspaper said three Republican Senators, James Mclure, Malcolm Wallop and Steve Symms had sent a letter to President Reagan asking whether Mr Nitze's actions were authorised and saying it "would be unseemly for your special adviser on arms control matters to be helping our adversaries draft their negotiating position on an issue of such vital importance".

Luiz Carlos Bresser Pereira: heavily criticised

## Brazil investment fears grow

BY IVO DAWNAY IN RIO DE JANEIRO

ECONOMISTS in Brazil are increasingly concerned over the threat of a rapid decline in foreign investment.

Profit remittances by foreign companies are increasing, while net new investment from abroad is drying up.

The impact of this, combined with the growing public sector deficit, a surge in the money supply and government borrowing and a decline in private savings, is leaving Brazilian industry starved of cash.

Political events are adding to the investment crisis. The confrontation between the Government and Autolatina, Ford and Volkswagen's Brazilian holding company, over pricing policy was one recent example.

In addition, tensions with the US are growing over Brazil's protected information technology market and the proposal by some politicians to restrict foreign oil and mining companies to holding minority stakes in petrol distribution and oil and mineral exploration and extraction.

Though economic growth is expected to be at 2 per cent by the end of this year, much of the growth is attributed to a 10 per cent rise in farm output, analysts say.

Mr Luiz Carlos Bresser Pereira, the Finance Minister, is believed to be preparing a package of measures to cut public spending, raise taxes and, possibly, impose new controls on prices and wages.

But his success will depend on the collaboration of politicians, many of whom have heavily criticised his economic strategy and the conduct of negotiations with commercial bank creditors on the foreign debt.

Mr Bresser was reported yesterday to have ruled out any deal with the International Monetary Fund on an economic programme before talks on a long term deal with the banks are completed, and certainly not before January.

## Argentine law 'a threat to human rights'

BY JIMMY BURNS

ARGENTINA'S "due obedience law", which grants immunity from prosecution to military officers accused of torture, poses a "grave" threat to human rights, Amnesty International said yesterday.

In its first detailed report on Argentina since the return of democracy in 1983, Amnesty describes the earlier trial of the country's former military rulers as a "human rights landmark" unique in contemporary Latin American history.

But it warns that the moral and political gains of the trial - which condemned former presidents and military chiefs to heavy prison sentences for their responsibility in the "disappearance" of more than 9,000 Argentines - were being undermined by the new law.

The organisation claimed that the law conflicted with Argentina's international human rights obligations to investigate past abuses fully and provide families of the victims with effective legal protection.

The law also ran counter to the principle enshrined in the United Nations Convention Against Torture that an order from a superior officer should not be used as a justification for torture.

The law was approved by Argentina's Congress in June in the wake of a military uprising in protest at the continuing prosecution of officers. The law granted immunity to all but the most senior members of the military hierarchy, and benefited more than 300 junior and middle-ranking officers who had "obeyed orders".

The report, which follows a low-profile visit to Argentina last month by an Amnesty team headed by Mr Ian Martin, the new general secretary, is one of the most controversial studies published by the organisation. It is understood that the report was written against the backround of considerable internal debate about its relative value, and the implications for a struggling Third World democracy.

But the organisation's attack on the due obedience law is politically embarrassing for President Raul Alfonsin's government which has staked much of its international prestige on its human rights record.

Within Amnesty, it is hoped that the report will reinforce President Alfonsin's public commitment not to cede any more to the military on human rights.

*"Argentina:The Military Juntas and Human Rights: Report of the trial of the former junta members." Amnesty International, 1 Easton Street, London WC1X 8DJ*

## Peru drops ban on repatriation of US profits

By Barbara Durr in Lima

PERU has lifted its ban on the repatriation of profits by two US companies involved in oil and mining in an attempt to reverse declines in production and exports in two of its most important industries.

The companies are Occidental Petroleum Corporation of Peru and Southern Peru Copper Corporation.

Occidental recently told the Government it was assessing its future in Peru because of the unfavourable conditions.

Central bank sources estimate that approximately $190m is pending in foreign remittances for the two companies. With Peru's current net reserves at about $450m, some analysts are asking how the payments would be covered.

Mr Charles Preble, chief of Southern Peru Copper Corporation in Lima, welcomed the move, saying: "It's a very positive step towards creating a much better environment."

In August 1985, Peru halted profit remittances and dividend royalties payments for all foreign companies for 24 months. The move was intended to conserve declining foreign exchange reserves.

The shift in policy covers only companies that have special contracts with the government, as Occidental and Southern do.

Oil production and exports and mineral exports were expected to continue to fall this year despite world price increases.

# WORLD TRADE NEWS

## British rivals risk losing Solomons telecoms deal

BY JOHN MADELEY, RECENTLY IN HONIARA, SOLOMON ISLANDS

AN 18-MONTH squabble between two British companies for a telecommuniations contract on a Pacific ocean island is in danger of ending with neither getting the business.

A 10-year joint venture agreement between Cable and Wireless and the Government of the Solomon Islands, signed in March, 1978, is soon to expire and be replaced. The agreement set up the Solomon Islands International Telecommunications Soltel, with Cable and Wireless holding 51 per cent of the issued capital and the Government the remainder.

Soltel is reputed to offer one of the best international telephone and telex services in the Pacific region, with direct dialling to most western destinations.

But its business is purely international and two years ago the Solomon Islands Government said that it wanted any new joint venture to include a national domestic service. For although London can be dialled in seconds from the Solomon Islands capital, Honiara, the only link between the capital and surrounding towns and villages is by radio.

While Cable and Wireless was first to tender for the new business, its relationship with the Government has become rather strained. "Technically they are a good firm", said a Government minister, "We did feel, however, that they adopt too much of a 'know it all' attitude."

The Government was therefore not too unhappy to receive a counter-bid from British Telecom which ironically had picked up the opening via the British Government aid programme.

Following the BT offer, Cable and Wireless counter-offered but back came BT with what appeared to be the clinching deal. Earlier this year, it was announced that the Solomon Islands Government had set up a 15-year joint venture with BT to run international and domestic services – the latter based on a satellite system with five earth stations at key points throughout the country.

But the new agreement left many of the financial details to be filled in later. Last month, after exhaustive negotiations between the Government and BT, it became clear that the two sides could not agree terms – and the venture was scrapped before it even started.

Now the Government has decided to put the business out to tender. It has invited BT, Cable and Wireless, the Overseas Telecommunications Commission of Australia and NEC of Japan to bid. Helping the Solomon Islands Government to analyse the deals will be the UN's International Telecommunications Unit (ITU) which has provided support for training local people in telecommunications skills.

## Singapore electronics boost

BY ROGER MATTHEWS IN SINGAPORE

THE surging electronics industry in Singapore received another boost yesterday with the announcement of a $40m joint venture to manufacture the most technologically advanced integrated circuits.

A new company, to be called Chartered Semiconductor, has been formed by the Singapore Technology Corporation, which is 100 per cent government-owned, and two US producers - National Semiconductor Corp and a relative newcomer to the market, Sierra Semiconductor Corp.

The facility ,to be built in Singapore science park, will initially produce 5,000 six-inch wafers a month and is expected to generate annual revenues of about $50m.

It has been designed to allow for a doubling of capacity with the three partners anticipating a growth in the world market for integrated circuits from the present $23bn-$25bn a year to around $45bn a year in the early 1990s.

Sierra Semiconductor's main contribution is to be its triple technology process which permits the integration of analog, digital and electrically erasable memory on the same chip. It is also to provide the technical management and serve as a major customer.

National, as well as contributing process technology and training, will also be a large customer guaranteeing that there will be sufficient volume for efficient operation of the plant.

Singapore Technology Corporation, which has a 74 per cent stake in the new company as well as a holding in Sierra, believes Chartered Semiconductor offers both technology transfer and market access.

One of the reasons for locating the plant in Singapore was that its products are expected to be sold into the European Community under the Generalised System of Preference.

Singapore electronics exports have soared nearly 50 per cent in the first half of this year to more than $3.2bn and there has been an equally encouraging stream of new investment led by Japanese companies.

## TI chips patent windfall sweeps Asia

BY LOUISE KEHOE IN SAN FRANCISCO

PLAYING hard ball with foreign competitors seems to have paid off for Texas Instruments, the US semiconductor manufacturer. Last week the US company reached an out-of-court settlement of a major patent dispute with Samsung of Korea to conclude a series of suits filed against major Asian chip makers that have netted the US company a total of about $250m in recent months.

Samsung was the last of nine Japanese and Korean companies to settle the memory chip patent dispute with TI. Earlier, NEC, Hitachi, Oki, Fujitsu, Toshiba, Matsushita, Mitsubishi and Sharp had all agreed to pay TI substantial royalties on their US Dram sales in the face of civil and trade suits filed by the US company

As well as providing TI with a major royalties windfall and the promise of significant royalties income in the future, the patent suits demonstrated that US trade laws can be effectively used to protect intellectual property in the semiconductor industry, TI officials suggest.

The TI suits set a precedent for the entire US semiconductor industry, analysts suggest, demonstrating the strength of protection US patents offer to semiconductor chip products.

## S Korea takes over as leading shipbuilder

By Kevin Brown, Transport Correspondent

**JAPAN has lost its position as the world's leading shipbuilder to South Korea, according to figures published yesterday by the independent ship inspection society, Lloyd's Register.**

**The society said South Korea had 5.458m gross tons of shipping under construction or on order in the quarter ending on September 30, compared with 5.449m gross tons in Japan.**

**This is the first time for more than 20 years that Japan has failed to appear in the leading position in Lloyd's Register's quarterly figures.**

**Japanese yards have been under pressure for some time because of the rapid appreciation of the yen, and are in the process of implementing a 20 per cent cut in capacity.**

**However, South Korean yards have recently experienced a bout of industrial unrest which may have affected orders.**

**They are also having to cope with the problems of an appreciating currency.**

**Lloyd's Register said 80.6 per cent of South Korea's output was built for export, compared with 67.4 per cent of construction in Japan.**

**New orders placed during the quarter amounted to 2.9m gross tons, boosting the total world order book to 21.8m gross tons, up 489,000 gross tons on the previous quarter.**

**Shipbuilding countries recording an increase in total orders were: South Korea 388,000 tons; Japan 157,000 tons; Finland 168,000 tons; West Germany 135,000 tons; Bulgaria 67,500 tons; China 54,000 tons; UK 51,000 tons; France 28,000 tons; India 3,000 tons.**

**Major losers were: Taiwan 184,000 tons; Denmark 97,000 tons; Romania 94,000 tons; Brazil 46,000 tons;Italy 39,000 tons; Poland 29,000 tons; East Germany 16,000 tons; Yugoslavia 11,000 tons.**

**The biggest ship completed during the quarter was the Ruhr Ore, 171,924 gross tons, built by China Shipbuilding in Taiwan for registration in Panama.**

## US presses Tokyo on construction bids

BY NANCY DUNNE IN WASHINGTON

THE US is expected to make another attempt to pry open the Japanese public construction market to foreign bidders when Mr William Verity, the US Commerce Secretary, arrives in Tokyo today.

American anger over Japanese bidding procedures for public works projects was rekindled earlier this month after Mr Verity received a letter from Mr Nobuo Matsunaga, the Japanese ambassador in Washington. The letter promised "fair and non-discriminatory opportunities for the participation of foreign companies" in the $8bn Kansai international airport project.

As the US had demanded, a promise to introduce into the bidding "elements of the Gatt government procurement code and other internationally accepted practices" would involve transparency in bidding complaints procedures and a monitoring mechanism of the entire procurement process.

However, while the procurement procedures were to be a model for "other major projects," such as the Tokyo Bay highway project, the Japanese Government has decided to limit the new concessions to "private commissioning entities" and not include the more lucrative public construction market. About $60bn to $72bn in public projects is planned over the next decade.

US trade officials were furious and say the Japanese have reneged on a promise made by former Prime Minister Nakasone to President Reagan when the two met in New York City on September 21.

The Trade Policy Review Group, a group of US under-secretaries which reports to the Economic Policy Council, met and reportedly agreed to recommend filing of a Section 301 trade complaint against Japan if Mr Verity did not return with further concessions.

A 301 case calls for bilateral negotiation and retaliation if all else fails. Also under consideration is the filing of a Section 302 complaint which requires a government investigation and generally leads to a Section 301.

According to a senior US trade official, the Commerce Department's concern extends beyond the Japanese construction market to projects across the Pacific Rim.

Trade officials believe that Japanese companies are being paid twice what projects are worth in the domestic market so they can afford to underbid foreign companies in Third World markets, the trade official said. "Government grants and mixed credits have made it almost impossible for US firms to compete," he said. "We have to challenge them in the home market to break up the sweetheart deals."

Mr Matsunaga, in his letter to Mr Verity, said contracts awarded to foreign companies in the Kansai project totalled Y2.422bn ($17.7m), of which Y2.240bn has been awarded to US companies.

"There are a number of competitive US firms making corporate efforts in Japan, and it is anticipated that eventually the sum of the awarded contracts will increase significantly," he said.

US industry dismisses the contracts handed out so far as "pocket money." One $185,000 contract granted to Bechtel does not even repay the company's costs, the trade official said.

Canute James on a growth industry dependent on American quotas

## US-Caribbean textile trade a delicate web

CARIBBEAN countries exploiting special provisions for garment exports to the US have significantly increased their shipments to the US and expect further significant expansion over the next two years.

The region currently accounts for only 7.75 per cent of all US garment imports. But in the twelve-month period ending July 1987 the region's shipments to the US of garments made from cotton, wool and man-made fibres totalled 659m sq yds, a 42 per cent increase on the previous twelve months.

This growth follows an equally significant jump of 67 per cent between 1984 and 1986. The Dominican Republic is the region's leading supplier to the US, followed by Haiti, Costa Rica and Jamaica, with these four countries accounting for 85 per cent of the region's shipments.

Caribbean government officials believe that the region can further increase its garment exports to the US. Projections based on proposed new investments in the garment sector in the region, show the Caribbean's share of US garment imports could reach 12 per cent in three years, implying a rate of growth above the average for all US garment imports.

There is growing concern, however, that proposed legislation in Washington aimed at putting a ceiling on imports could damage the fastest growing sector of the region's economy.

The Caribbean has recorded these significant increases in garment shipments to the US in spite of being denied duty free entry under Washington's Caribbean Basin Initiative, a 12-year trade programme started in 1984 which allows 22 designated countries to ship a range of products duty free.

But the growth in exports has been stimulated by provisions under item 807 of the US tariff regulations, which allows Caribbean producers to re-export assembled garments and other products, attracting low rates of duty applied only to the value added in the Caribbean.

Much is also being made by Caribbean and US producers of a facility which allows special entry to the US for garments assembled in the region from cloth made or parts cut in the US.

The region's quotas - referred to in Washington as "access levels" are determined in bilateral negotiations with the US Government and are agreed on the basis of each country's ability to produce and its plans for increased production.

These special trade facilities give US manufacturers seeking to take advantage of lower wage costs overseas an opportunity to undertake labour-intensive assembly operations, while also helping Caribbean manufacturers who wish to enter the US market, but are not developed enough to compete on their own.

However, these special programmes present some dangers for Caribbean producers. While they enjoy low capital costs and a secure market, their experience in the industry is limited to assembly and sewing, making it difficult for them to move into other areas.


The Caribbean producers involved in these assembly operations also face the possibility of losing their markets at the end of each contract as there is no guarantee that the US will renew the agreement for assembly and re-export.

Profit margins are also low, with the value added by the regional producers averaging between 10 and 20 per cent of the total fob value of the exported product. The attraction for foreign and local investors has been low wages, which average a quarter of those paid to garment workers in the US.

"The coming decade should bring further substantial increases in garment exports both to the United States and to the still largely unexplored Canadian and west European markets," according to Mr Peter King, chief executive of the Jamaica National Export Corporation, a state agency which encourages export industries.

He expressed the concern of Caribbean officials that the proposed legislation in Washington aimed at limiting the growth of US textile imports to 1 per cent of the 1986 level, with this increase being spread among all countries supplying the US market, could destroy an industry which promised much to the hard pressed economies of the region.

There is also growing concern that the region's growing garment export sector could be harmed by abuse of the access to the US market. Several governments are putting protective measures into place, following the discovery of some cases of export licence fraud.

"We clearly cannot stop anyone or any group trying to make illegal use of the access we have to the US market," Mr king said. "We do, however, have agreements in place with the US authorities which allow us to prove very quickly whether any questionable shipments arriving in the United States are in fact ours."

The protective measures are described by officials as being similar to those being used by Hong Kong.

## UK NEWS

# N-power to retain central role after privatisation

BY LUCY KELLAWAY

A PRIVATISED electricity industry could be obliged to use nuclear power for between 20 and 25 per cent of its generating capacity, Mr. Cecil Parkinson, Energy Secretary, said yesterday.

Mr Parkinson, outlining this option yesterday, said the Government remained committed to nuclear power, and this narrowed its options in choosing a suitable structure for the privatised electricity industry.

The future of the nuclear power stations within a privatised industry has been seen as one of the major problems for the Government in drawing up its plans for selling the industry.

It has been argued that the large capital outlays required to build nuclear power stations and the relatively low returns involved, make them unattractive to private investors.

Mr Parkinson was speaking in London at a conference on privatisation organised by the accountants, Coopers & Lybrand.

Yesterday Mr Ian Goskirk of Coopers and Lybrand warned that "concerns about financial risk and return on capital...will account for the very low growth in UK nuclear capacity which we now believe is likely."

However, Mr Parkinson said he believed that large nuclear power stations could be built economically. He implied that generating companies would accept diverging marginal costs for different types of power stations in the interests of ensuring a diversity of supply.

He said he had not ruled out retaining nuclear power stations in the public sector. The only options ruled out are selling off the industry as a whole and breaking it into parts too small to accommodate nuclear generators.

Sir Philip Jones, chairman of the Electricity Council, told the conference that it would be undesirable for the Central Electricity Generating Board to retain control of the grid when the industry had been privatised, and recommended that control should pass to the area boards, which distribute electricity.

If ownership rested with the CEGB, it "would have little incentive to encourage competition from other generators. A powerful argument can be made for the distribution side owning the grid, since, as the retailer, it has the greatest incentive to encourage competition in generation and hence secure the cheapest possible supplies," Sir Philip said.

He questioned the need for electricity price increases announced earlier this month. He supported the Government's aim to increase the rate of return of the industry from less than 3 per cent to a target of 5 per cent, but disagreed with the speed of the move. However, Mr Parkinson said the rise in prices was essential to attract and service new capital in the near term.

# Balanced budget may be possible next year

BY SIMON HOLBERTON

**CITY OF LONDON expectations of tax cuts, higher Government expenditure and a negligible borrowing requirement next financial year were boosted yesterday by provisional Treasury figures showing the Government's public sector borrowing requirement (PSBR) was in surplus by £1bn last month.**

**The figures indicate that, failing any untoward developments, the Government could be in a position to balance the budget next year, if it wishes, for the first time since 1969-70.**

**Last month's £1bn surplus compares with a surplus of £155m in the same month of 1986. For the first seven months of 1987-88, borrowing totalled £500m compared with £5.7bn in the same period last year.**

**The outlook for a balanced or near-balanced budget is aided by seasonal factors. The PSBR tends to be in surplus in the last five months of the financial year because of company taxation flows.**

**The Treasury struck its usual note of caution yesterday, pointing out that the PSBR can be erratic on a monthly basis, and the timing of payments to the European Community and large public contracts could affect the outcome.**

**October's figures reflect a continuation of the strong growth in taxation and lower rate of increase in expenditure. Revenues from personal and company taxes in the first seven months of the financial year were 11.5 per cent up on the same period the previous year and receipts from value added tax and other customs and excise taxes were 7.5 per cent up.**

**Excluding privatisation receipts, the PSBR for the first seven months of the financial year is provisionally estimated at £3.8bn, £3bn lower than a year before. The outcome for October was broadly in line with the expectations of independent analysts although receipts from the British Petroleum privatisation were in deficit by £600m.**

# Labour tables Bill backing devolution for Scotland

BY JAMES BUXTON

THE LABOUR Party yesterday took the most important step so far in its campaign for Scottish devolution, by presenting a parliamentary Bill to create a Scottish Assembly which would have tax-raising powers.

Mr Donald Dewar, Labour's spokesman on Scotland, predicted that the Bill would not receive a second reading in the House of Commons because of Government opposition. But he expected that Labour would be able to use one of its supply days - when it can decide on Parliament's debates - to discuss a motion approving the Bill's principles.

He said that the Bill was part of a continuing campaign for devolution, and would "come back in a number of different forms" over the next few years.

The creation of a Scottish Assembly was part of the Labour Party's manifesto at the General Election, when Labour won 50 of 72 parliamentary seats in Scotland while the Conservatives lost 11 of the 21 seats they have held in the past. Since then, the opposition parties have argued that the Government has no mandate in Scotland

The Liberal Party has upstaged Labour by planning a debate next week on its own Scottish Assembly Bill.

The Conservative Party yesterday launched a counterattack over devolution. In an official discussion document, Mr Michael Antram, the former Scottish Local Government minister, who lost his seat in the general election, argued that devolution for Scotland would allow one part of the UK to impose taxes without being subject to Westminster even though Scottish MPs would still be able to vote on similar questions for England and Wales.

He acknowledged that the idea of devolving power to all Britain's regions, including Scotland, had "some validity," but it was not wanted by England and Wales.

Despite Conservative Party opposition to devolution, a number of Scottish Conservatives have formed the Conservative Constitutional Reform Forum, which favours devolution.

The Labour Devolution Bill would create an assembly in Edinburgh which would be elected for a four-year term and would appoint an executive to control most aspects of Scotland's internal affairs.

# Building societies gain in markets fall

BY RICHARD WATERS AND ERIC SHORT

INVESTORS sold units in unit trusts as stock markets fell at the end of October and deposited large amounts with building societies instead, it was reported yesterday.

This trend has continued even more strongly during November as investors respond to the continuing uncertainty in equity markets, unit trust managers and building societies report .

Figures from the Unit Trust Association show that there was considerable two-way business in units during the month.

Sales of units to investors continued at a high level, amounting to £1.14bn in October and bringing total sales to date this year to £13bn.

However, investors cashed in some £896m of units during the month - a record if a special institutional redemption of £320m in April is taken out of that month's £1.02bn.

This still left the unit trust industry with a positive net investment in October of £247m - the lowest for well over a year, if April's special factor is taken into account. But the full impact of the crash is seen from the value of unit funds falling from £50.3bn to £37.4bn during the month.

Building societies saw a net inflow of £812m during October, the highest for a year, according to the Building Societies Association.

Around £200m of this was due to shareholders selling out, according to industry sources. The remaining £600m reflected the normal strong cashflow of building societies at this time of year.

Building societies also benefited from the BP share flop. They had expected to lose deposits of £600m to the BP issue, or over 20 per cent of the total share issue. In the event, only a tiny fraction of this money was withdrawn.

Meanwhile, unit trust groups are bracing themselves for the full impact of the stock market crash to show this month. Investors, urged not to rush into selling, have waited but seen no strong recovery and are now cashing in their units.

M and G, Britain's leading unit trust group, reports repurchases of units to date being double actual investment in units.

November's unit trust trading figures could show a net disinvestment for the first time for several years.

# Phased poll tax introduction plan dropped

By Peter Riddell, Political Editor

THE community charge or universal poll tax, which is set to replace domestic rates, is to be introduced in one go in April 1990 in most areas of England, with the exception of the highest spending areas of London where there will be a four year phasing-in.

This change from the approach decided in July of a four-year transition throughout England follows a lengthy and apparently heated series of ministerial meetings.

The decision, finalised at the last minute, represents a victory for the original preference of Mr Nicholas Ridley, the Environment Secretary, backed by Mrs Thatcher, in face of the opposition of other members of the Cabinet.

Mr Ridley said the vast majority of areas should introduce the full charge in 1990-91, though with a temporary safety-net which will be limited to a maximum of £75 per adult.

However, in areas where local authorites have budgeted to spend more than £130 a head above their grant related expenditure assessments for 1987-88, the charge will be introduced only partially in 1990-91 at £100 (assuming unchanged spending).

# Threat of strike at Christmas recedes

BY CHARLES LEADBEATER, LABOUR STAFF

THE possibility that Christmas mail might be seriously disrupted by industrial action receded yesterday after the Union of Communication Workers, the main Post Office union, announced that postal workers had voted for strike action by only a narrow margin.

In the ballot among the 166,000 postal workers over strike action in support of the union's claim for a three-hour cut in the working week, 73,349 or 55 per cent of those voting backed strike action, with 58,917 against. Under the Government's trade union legislation the ballot decision has to be implemented by December 10 or the union loses its mandate.

Mr Alan Tuffin, the union's general secretary, said it was still highly likely the union would take some industrial action. It would probably wait 10 days before making any decision to allow time for talks with the Post Office on a shorter working week and improvements to Post Office services.

Talks with the Post Office continued yesterday with joint working parties discussing measures to improve efficiency and quality of service in the Post Office's parcels and counter services, which could finance a reduction in the working week. Talks on the letters business will open this morning.

If progress is made in these discussions the Post Office might improve its offer of a one hour cut in the working week. The union says postal staff work an average 43-hour week, whereas the Post Office says that, excluding paid meal breaks, the average working week is close to 39 hours.

# CBI urges reduction in uniform business rates

BY RICHARD EVANS

THE CONFEDERATION of British Industry put forward an alternative to the Government's rates reform proposals yesterday that would mean businesses would contribute towards the local costs of only those services which benefit them directly.

CBI leaders emphasised that the future of commercial rates was now the main concern of members. They said the Government's plan for a uniform business rate was seriously flawed, with adverse consequences for business.

According to Sir David Nickson, CBI president, and Mr John Banham, director-general, the CBI's alternative would cost less, improve local accountability, end cross-subsidy by business of local residents, and have a more uniform impact on different regions.

Ministers have reacted extremely coolly to the proposals. Mr Nicholas Ridley, Environment Secretary, told a CBI delegation on Monday that the confederation's alternative would not meet the Government's objectives and was not consistent with the Conservatives' manifesto commitments. It also assumed that the total from business rates could be cut by £1.6bn.

A further difficulty facing the CBI is the late publication of the proposals. The bill reforming local government finance, the biggest of the current session, is now virtually all in draft and due to be published in the first week of December. Major changes at this stage would be too embarrassing politically for the Government.

Mr Ridley agreed to pursue three areas of CBI concern. These are accountability and the involvement of businesses in local decisions affecting them; the possibility of increasing the uniform business rate by less than the rate of inflation; and the nature of the promised five-year transition period to the full UBR.

The CBI document welcomes most of the Government's proposals, including the community charge or poll tax, as a substantial improvement on the existing system. But it concentrates on the "serious shortcomings" of the UBR, under which businesses will be levied at the same level throughout the country and the results distributed to each local authority according to its population.

The CBI's alternative is based on research prepared with the help of the Chartered Institute for Public Finance and Accountancy (Cipfa). It wants the cost of local services divided into four categories and financed accordingly.

National services, like secondary education, would be locally administered and funded by specific exchequer grants. Community services, like primary education and care for the elderly, would be financed from the exchequer block grant and the community charge. Marketed services, like council housing and leisure, would be funded by rents and charges.

For property and business services, like fire protection, police, road maintenance and refuse collection, the proposal is that the non-domestic rate would cover 75 per cent of these services, which are used by business, and the community charge would cover the remaining 25 per cent.

*Lifting the Burden on Business. CBI Publication Sales, Centre Point, 103 New Oxford Street, London, WC1A 1DU. £6 to members, £8.50 to non-members.*

# Scottish Provident sells £86m portfolio

By Paul Cheeseright, Property Correspondent

THE SCOTTISH Provident Institution has sold a portfolio of properties for £86m in the biggest institutional property deal since the stock market crash.

The buyer is Postel Investment Management, which will integrate the properties into the portfolios of the British Telecom and Post Office staff superannuation schemes. Postel has a property portfolio worth about £2bn.

For Scottish Provident, the sale is the first and biggest rationalisation of its £400m portfolio since its £204m September acquisition of all the properties owned by the Fleming Property Unit Trust.

Mr Peter Coupe, Scottish Provident property manager, said the price received for the properties, which are spread throughout the UK and include a large number of shops and some farmland, was much as expected before the crash.

Coupled with evidence of the high level of sales at recent auctions, the transaction suggests the direct commercial property market remains lively despite equity market difficulties.

Mr Coupe said, however, that while there seemed to be some hesitation in the market, there was no sign that the institutions - primarily insurance companies and pension funds - were leaving it.

Hillier Parker, the chartered surveyor, said the institutions were expressing "strong interest" in the purchase of Norfolk House, St James's Square, in London's West End. It has been put on the market by Friends Provident Life Office.

The sale price is expected to be about £70m, which would indicate a yield of less than 3.5 per cent on current rents.

Meanwhile Priest Marians Holdings has decided to exercise its option to buy the Langham Estate, a portfolio of 179 freeholds situated north of Oxford Street in the West End for £87m.

Raymond Snoddy looks at Michael Grade's role beyond the BBC

# Conversions on road to Channel 4

"IT'S THE fastest conversion since St Paul," shouted a wag yesterday at the press conference to announce the appointment of Mr Michael Grade, BBC director of programmes, as chief executive of Channel 4.

The conversion in question was over whether the channel that went on the air five years ago as a subsidiary of the Independent Broadcasting Authority should be privatised.

Less than three months ago Mr Grade astonished audiences at the Edinburgh Television Festival by calling for the separation of Channel 4 from the ITV system - a call repeated at the Royal Television Society's Cambridge convention in September.

Yesterday Mr Grade, who is returning to British commercial television after six years, said he "wholeheartedly, absolutely, and 100 per cent endorsed the Channel 4 board policy with regard to the separation of Channel 4."

The board position, and the position of the IBA, is that the status quo - ITV selling Channel 4 airtime and financing the channel with an annual subscription - should continue for five years unless the Government forced a change by legislation.

Mr Grade said he had been arguing from the BBC position that something had to be done to narrow the gap between BBC and ITV finances and that, anyway, the possible edge of a recession was not the time to take risks with the channel.

Sir Richard Attenborough, chairman of Channel 4, who rang Mr Grade on Friday and asked if he was seriously interested in the job, said forcefully yesterday that if Mr Grade had not accepted absolutely the board's policy the appointment would not have been made.

Mr Grade's presence at Channel 4 yesterday clearly involved at least one other conversion. Until very recently journalists asking if he was interested in succeeding Mr Jeremy Isaacs as chief executive were always told: "Why should I want to run one channel when I can run two at the BBC."

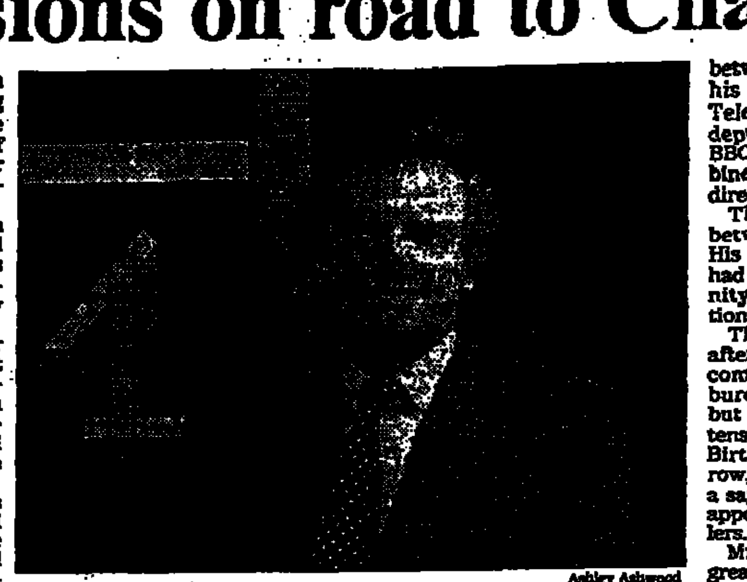
Why was one now better than two?

"Because I was offered it," said the 44-year-old nephew of Lord Lew Grade, who has never had any trouble with his one-liners.

The story of one of the most surprising appointments seems to be that Mr Grade, who did not apply for the job, rang Sir Richard last week to discuss a BBC programme on the new Attenborough film, Cry Freedom. But Mr Grade, who likes gossip, took the opportunity to pump Sir Richard for "the state of the parties" on the top job.

"I think there was a sub-text to the conversation," Mr Grade conceded yesterday.

The result was the Friday call on the day that Mr Grade, who was to succeed Mr Bill Cotton as managing director of network television on his retirement, introduced his two new BBC controllers, Mr Jonathan Powell and Mr Alan Yentob, to the press.



Ashley Ashwood

Michael Grade: attracted to autonomy of Channel 4

Mr Grade then spent what he described as a sleepless weekend over the most difficult decision of his life before saying yes late on Monday.

Apart from accepting the board policy on the ownership of Channel 4, Mr Grade had to give undertakings that he would respect the channel's programming remit to appeal to minority audiences with innovative programming.

"It may even be the first time in my career that the target is to lower the share (of the audience)," joked Mr Grade.

Some of the unsuccessful candidates were, however, asking what was it in Mr Grade, the populist broadcaster, that would equip him for developing Channel 4's programme remit.

Mr Grade, who returned to the UK in 1984 to be controller of BBC1 after three years as president of Embassy Television in the US, emphasised yesterday that he had no plans to change Channel 4 other than to develop, evolve and promote it.

He was also keen to play down persistent reports of a rift between him and Mr John Birt, his former London Weekend Television colleague and now deputy director-general of the BBC as well as director of a combined news and current affairs directorate.

There was no animosity between them, Mr Grade said. His main motivation in leaving had been the irresistible opportunity "to run your own operation."

The attraction of autonomy after three years inside a large, complex and very political bureaucracy were clearly real but so, almost certainly, was the tension of coming up against Mr Birt's ambitions. There was a row, for instance, over how great a say Mr Birt should have in the appointment of the two controllers.

Mr Grade's job had also been greatly diminished by structural changes at the BBC. Apart from the loss of control of television news and current affairs to the new directorate, regional television is now under its own managing director, Mr Geraint Stanley Jones.

But had he not allowed himself to be poached at a most inconvenient time for the corporation, something that one BBC executive described yesterday as an "act of perfidy"?

"There is a saying in the BBC that the hole heals up no sooner than you've left the car park," said Mr Grade, who informed Mr Michael Checkland, the BBC director-general, of his decision only yesterday morning.

Now, with its master scheduler already hinting that he will be exploring ways of making Channel 4 and ITV schedules more complementary, the BBC is starting the search for a new managing director of network television.

Mr John Tusa, managing director of BBC external services, and Mr Stanley Jones seem to be the leading inside candidates, although the BBC might decide to bite back and try to "poach" an ITV managing director.

## Long-term jobless total falls

BY SIMON HOLBERTON

THE NUMBER of people out of work for more than a year fell by 66,000 between July and October, according to official figures released yesterday.

The Employment Department said there were 1,172,000 long-term unemployed at the end of last month. This represented the lowest level for almost four years and was due to a fall of 169,000 in the quarter compared with October 1986.

Figures for the long-term unemployed are not seasonally adjusted and are released quarterly. They followed the release late last week of seasonally adjusted monthly employment figures which showed that the numbers of people eligible for unemployment benefit fell by 58,000 in October to stand at 2,715,000.

Mr Norman Fowler, Employment Secretary, said all regions of the UK contributed to the fall, with the largest fall, of 18 per cent, in Wales. He said he was particularly encouraged by the prospects for the young unemployed.

Unemployment among those under 25 was 919,000 at the end of October, a fall of 227,000, or 20 per cent, on a year ago. This was the lowest level for the young unemployed for five years.

Mr Fowler said: "Unemployment amoung young people is still too high but our record is significantly better than that of most other European countries.

"These figures show that the young and the long-term unemployed are not getting left behind in the overall improvement in unemployment. The outlook for these groups is equally good as the economy continues to grow steadily."

All regions except Northen Ireland posted falls in unemployment compared with a year ago.

## Review urged for company pension plans

By Eric Short, Pensions Correspondent

EMPLOYERS ARE being urged by the National Association of Pension Funds to review the objectives and design of their company pension schemes.

Mr Michael Elton, director-general of the association, in the launch of a discussion document on improving pensions, said few schemes could claim to be perfect and some might need a radical overhaul.

The document sets out areas employers should review in a company pension scheme. It highlights key areas, starting with eligibility for membership, then deals with other areas - contribution levels, employee and employer payments, death and disability benefits.

However, the main area of weakness in company schemes remains the benefit paid to employees who change jobs.

The document points out that the new legislation gives employees choice in their pension provision. Employers are advised to consider giving that choice within the company arrangement.

*Pensions - The Opportunity for Employer Action. National Association of Pension Funds, 12-18 Grosvenor Gardens, London SW1W 0DH. £20 to non-members.*

## Racial equality chairman chosen

MR MICHAEL DAY, West Midlands chief probation officer, is to succeed Sir Peter Newsam as chairman of the Commission for Racial Equality from February

## Japanese plan electronic wiring factory in Wales

BY ANTHONY MORETON, WELSH CORRESPONDENT

THE INDUSTRIAL links between Japan and Wales were strengthened yesterday when Mr Peter Walker, the Secretary for Wales, announced in Nagoya, Japan, that Onamba and Sumitomo were to set up a £1.5m joint venture to produce electronic wiring harnesses at Llantrisant, just outside Cardiff.

When it is fully established in three years, Electronic Harnesses UK will employ 290 people in a factory provided by the Welsh Development Agency near the site of the Royal Mint.

The announcement is the first of two expected this week from Mr Walker, who is on the second day of his first overseas investment mission for Wales since becoming Welsh Secretary.

Electronic Harnesses will become the 16th Japanese company to set up in Wales, the largest concentration of concerns from that country in any part of the UK.

The 17th, expected to be announced tomorrow, will be in Gwent and will be more directly involved in manufacturing.

## Competitive tendering in NHS gives 'big savings'

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

COMPETITIVE tendering of hospital domestic services is working efficiently and generating substantial savings for the National Health Service, according to a study by the London Business School.

Although the research suggests that private contractors submitted unrealistically low tenders offering "implausibly large" savings when competitive tendering began in the early 1980s, the study concludes that cost reductions of around 20 per cent remain achievable.

The study, published in this month's issue of Fiscal Studies, journal of the Institute of Fiscal Studies, suggests that hospitals which have put cleaning, ward orderly and housekeeping services out to tender have achieved savings of 20-30 per cent. Costing returns of 1,500 hospitals for 1984-85 and 1985-86 were analysed in the research.

In the early days of tendering, says the study, almost all contracts were awarded to private contractors and it was clear the level of cost saving offered was very substantial.

"It seems implausible to suggest that all of these cost savings could be achieved through improved efficiency. Rather, it seems more likely that some of these contracts proved to be loss-making to the companies concerned, or that service standards had been reduced."

More recently, there had been a substantial reduction in cost savings offered on new contracts, while the number won by in-house teams had increased. Recent bids from private contractors had risen to a more realistic level

## Fashion project for Glasgow

By Our Property Correspondent

MERLIN International Properties and the Scottish Development Agency have formed a joint venture to turn the listed but unused Sheriff Courthouse in Glasgow's Merchant City into a fashion centre.

The £15m venture is in the heart of what was Glasgow's commercial centre in the 18th and 19th centuries, an area of about 15 acres to the east of the city's main business district.

The area has been the subject of piecemeal regeneration since the early 1980s. The Courthouse will become the focus of a specialist retailing district, designed to complement efforts to bring private-sector housing back into the area.

Inside the listed facade of the building there will be 100,000 sq ft of space on five floors, three of which will be devoted to fashion retailing and two to a costume museum. There will aslo be an auditorium for fashion displays, resources for young designers and catering facilities.

One of the aims of the new courthouse will be to provide an outlet for young Glasgow designers.

The agency is spending £1.5m on preparing the building for the development and putting up a further £2m in project equity. The rest of the financial responsibility will be taken by Merlin, which will have 78 per cent of the equity in the company.

● Henry Lax, a Leeds company, has put forward plans to relocate the city's Ashford market from the town centre and build a new retail complex of 299,000 sq ft. The project will cost £50m.

## Reuters launches prices and news teletext service

BY RAYMOND SNODDY

REUTERS, the international news and information group, yesterday launched Citywatch, its news and prices teletext service.

It is believed to be the first large marketing of subscription teletext in the UK to the public in which information will be broadcast to subscribers nationally on the back of the Independent Broadcasting Authority's normal television signal.

Citywatch will cover prices from the international foreign exchange, money and financial futures markets, Reuters said.

A special screen and aerial needed to receive the information is included in the monthly price of about £250.

Reuters said Citywatch will be cheaper than its other screen-based services because the information is broadcast and there are no telecommunication charges.

Citywatch subscribers will have access to foreign exchange quotations from more than 1,000 banks and financial institutions all over the world and market reports.

Subscription teletext is being developed for the IBA by a joint venture company linking Aircall Teletext and Oracle, the ITV teletext service.

Reuters already uses teletext for the dissemination of information in France.

The UK information group also announced yesterday that its New York subsidiary, Reuters Information Services, has reached agreement with Mainstream Data to provide Reuters Newsfeed services over Mainstream's FM network.

## Call to set up private TV transmission facilities

BY RAYMOND SNODDY

THE FORMER deputy chairman of Central Independent Television will today advocate the abolition of the Independent Broadcasting Authority and the creation of a private corporation to provide television transmission facilities.

Mr John Jackson, one of the unsuccessful applicants for Britain's direct-broadcasting by satellite franchise, will tell a cable television conference in London it is time to say farewell to the IBA.

"It is time the IBA was given over to its own Cordon Bleu cooks for embalming and restoration to former glories by being stuffed, painted and put in a glass case," says Mr Jackson.

Mr Jackson, who was one of the guests at Mrs Thatcher's seminar on the future of television in September, also argues for the abolition of the Cable Authority and the immediate removal of the BBC's transmission role.

The new transmission body would offer facilities to broadcasters on a commercial basis. The new corporation might also be able to negotiate access to British Telecom's conduits.

Mr Jackson, a director of Mr Rupert Murdoch's Sky Channel, believes a new framework is needed to encourage Britain's broadcasters to adopt the new technologies and compete in an expanding marketplace.

As well as a new transmission corporation, Mr Jackson wants to see the creation of a non-profit-making franchising body that would publicly sell broadcasting franchises by tender and set minimum technical standards.

## Company cars benefit tax call

By John Griffiths

A CALL for National Insurance contributions and higher tax charges to be payable on the benefit of a company car is made in an Institute for Fiscal Studies report published yesterday.

The current system of charges represents a tax privilege to companies and company car users which is costing the exchequer about £1.1bn a year and distorting the market for cars and other forms of transport, according to the report.

The revenue foregone is equivalent to a 0.73p in the pound reduction in income tax or a 30 per cent increase in child benefit, the authors of the report say.

*Fiscal Studies, Tieto Ltd, Bank House, 8a Hill Road, Clevedon, Avon BS21 7HA. £5*

## British Gas denies lack of competition in energy

BY LUCY KELLAWAY

BRITISH GAS yesterday defended itself against claims that privatisation of the industry had been a disaster and had not encouraged competition within the industry.

Mr Chris Brierley, managing director of British Gas, said intense competition existed in every sector of energy marketing, and the law enabled new entrants in the industry access to British Gas's pipelines on equitable terms.

Mr Brierley was speaking at a conference in London on energy privatisation hosted by Coopers and Lybrand. His remarks come as the Office of Fair Trading is considering referring complaints to the Monopolies and Mergers Commission from British Gas's industrial customers.

"British Gas has always operated in a highly competitive environment and will continue to do so. Those who think otherwise pay too much attention to theories and really do not understand the realities of the energy business," he said.

Mr Brierley said that although privatisation had not had any impact on the day-to-day running of British Gas it had had a "profound significance" for the company's top managers. The previous relations between the Government and the old British Gas Corporation had "been replaced by a carefully defined structure

## Bristol and West centre

By Anthony Moreton

BRISTOL and West Building Society is to build a £4m computer centre on the outskirts of the city next to Bristol Parkway station.

Work is expected to start by spring and the centre to be ready for occupation early in 1989. The society will then move all its computer operations and associated training and administration services from its headquarters building in the city centre.

The Bristol and West, Britain's eleventh largest building society, is facing increasing pressure on space in its tower-block HQ.

The five-acre site has cost the society more than £1m. Bristol and West has an option on a further five acres.

● FT LAW REPORTS

# Reinsurance arbitrators must give reasons

KANSA GENERAL INSURANCE CO LTD v BISHOPSGATE INSURANCE PLC

Queen's Bench Division (Commercial Court): Mr Justice Hirst: November 13 1987.

**ARBITRATION submissions indiscernible on a reasoned award may be referred to by the court when deciding whether to order further reasons, if the original reasons were given at a party's request and if the issue on an appeal would be whether the arbitrators dealt inadequately with submissions so as to give rise to a point of law.**

Mr Justice Hirst so held when granting an application by reinsurer, Kansa General Insurance Co Ltd, for an order directing arbitrators to state further reasons for their award in a claim by the reinsured, Bishopsgate Insurance plc.

Section 1 of the Arbitration Act 1979 provides: "(5)...if...the award does not...sufficiently set out the reasons for the award, the court may order the arbitrator...to state the reasons...in sufficient detail to enable the court, should an appeal be brought...to consider any question of law arising out of the award."

HIS LORDSHIP said that Bishopsgate claimed in the arbitration under a reinsurance treaty in respect of its US account.

Kansa had been invited to reinsure Bishopsgate on the basis of a presentation provided by Bishopsgate's brokers. It sought to avoid the treaty on the ground that the presentation contained material misrepresentations and did not disclose material facts.

The majority arbitrators rejected Kansa's case and awarded Bishopsgate $5m. They gave reasons in response to a request from Kansa.

On the present application Kansa sought an order for further reasons, under section 1(5) of the Arbitration Act 1979.

There was an issue as to what material extrinsic to the award could be taken into consideration by the court. With Bishopsgate's consent it provisionally read the submissions put before the arbitrators.

The presentation contained information concerning Bishopgate's experience on its US account during the 18 months between its inception and the date of the presentation, together with future prospects.

During the arbitration Kansa alleged a number of separate instances of non-disclosure and/or misrepresentation which, if made good, would form a potential ground for avoiding the reinsurance treaty.

Further reasons were sought under six headings: (A) material non-disclosure of Bishopsgate's misgivings as to performance of the account; (B) material misrepresentation as to the length of experience; (C) misrepresentation as to the average period in which losses were generally notified to Bishopsgate; and (D), (E) and (F), misrepresentation of fact.

With regard to (A), the majority award was that Bishopsgate's misgivings were irrelevant. As to (B), it said there was nothing in the presentation which was untrue. With regard to (C), it said that Bishopsgate had made no attempt to mislead. As to (D), (E) and (F), the award said the presentation was factual and there were no grounds to support a declinature.

The principles of law applicable to non-disclosure were laid down by the Court of Appeal in *CTI v Oceanus [1984] 1 Lloyd's Rep 476*. An insurer was entitled to disclosure of every material fact "which would influence the judgment of a prudent insurer" in fixing the premium or determining whether he would take the risk.

It was at the heart of Mr Waller's submission that the "prudent underwriter" test must be fully applied to each separate allegation of non-disclosure.

The Arbitration Act 1979 formed the new code for appeals against arbitration awards. The proper construction of section 1(5) was laid down in *Universal Petroleum [1987] 1 Lloyd's Rep 517,524*.

There Lord Justice Kerr said that the power to order further reasons under subsection (5) was "limited to cases where it appeared to the court that 'the award' did not sufficiently set out the reasons. In that event the court might order the arbitrator to state his reasons in sufficient detail to enable the court to consider any question of law 'arising out of the award'".

He said in most contractual arbitrations the conclusion would be embodied in primary findings. The primary findings could not be challenged unless "(i) the necessary foundation for challenge to them has been laid or...(ii) there are gaps" which cast doubt on their correctness in law.

The general principles laid down by Lord Justice Kerr were that (1) the jurisdiction to order further reasons should be exercised as sparingly as possible; (2) arbitrators should seek to avoid the need to resort to such orders; (3) orders should only be made if there appeared to be a real prospect of leave to appeal being properly granted; and (4) applications for further reasons "must be decided exclusively on the basis of the contents of the award."

Two earlier decisions at first instance, not referred to in *Universal Petroleum*, were *Gay Fidelity [1982] 1 Lloyd's Rep 469* and *Hayn Roman [1982] 2 Lloyd's Rep 458*.

In *Gay Fidelity* Mr Justice Staughton said that in many cases it would be proper to look at submissions, because they might be relevant to whether further reasons should be ordered. In *Hayn Roman* Mr Justice Robert Goff also considered submissions, and commented that he did not know what answer the arbitrators had given to them.

Further reasons were ordered in both cases.

On the present application the first question was the extent to which, if at all, it was permissible for the court to refer to submissions made to the arbitrators which were not discernible on the award itself.

Mr Tuckey submitted that apart from the court informing itself provisionally, that was not permissible, having regard to general principle (4) in Lord Justice Kerr's judgment.

*Universal Petroleum* was binding, but must be interpreted in the light of its factual setting. The very strict approach advocated by Mr Tuckey would render the court's task in the present case extremely awkward, since the very point at issue was whether the arbitrators in their award dealt adequately with all the submissions.

In *Universal Petroleum* the applicant sought to rely on factual evidence not mentioned in the award, to undermine the arbitrator's primary findings of fact. The judgment clearly embargoed reference to extrinsic evidence for such a purpose, but it should not be construed as barring any reference to extrinsic submissions of law in a case like the present, provided reasons had been sought.

It was apparent in *Universal Petroleum* that if the arbitrator had been asked for reasons together with a summary of the relevant evidence, which he was not, the necessary foundation for the application would have been laid. In the present case the necessary foundation for reference to the submissions was laid by Mr Waller's request for reasons in support of the arbitrator's conclusion on those very submissions.

Both *Gay Fidelity* and *Hayn Roman* were persuasive authorities, as neither of them was expressly or impliedly overruled in *Universal Petroleum*. Consequently, in a case like the present, where reasons had been sought, it was permissible for the court to refer to the submissions of law.

It did not follow that the absence of reasons was *per se* a ground for making an order under section 1(5). The court must pay very close regard to the eventual prospects of an application for leave to appeal, and would have to decide what was the proper criterion for leave to appeal.

Where the case turned on construction of a standard term, leave should not be given unless a *prima facie* case was made out that the arbitrator was wrong. In a one-off case the much higher burden of showing that the arbitrator was obviously wrong applied (see *The Nema [1982] AC 724*).

In the present case the sole question was whether the arbitrator correctly applied *CTI v Oceanus* principles to the facts of the particular reinsurance contract. It was essentially a one-off case. Thus the correct test for leave to appeal would be the more stringent one.

Of the six headings under which further reasons were sought, headings (A) and (B) each raised potentially valid grounds for avoiding the reinsurance contract.

It was hard to regard the arbitrators' very short exposition under (A) as constituting reasons for rejecting the non-disclosure submission. Even on the stringent leave to appeal test there was a real prospect of leave being granted. Under heading (B) there was a total failure to give any reasons at all. There was a perceptible "gap" within the *Universal Petroleum* test.

Headings (C) to (F) were not comparable. They were simply allegations of misrepresentation. The court could detect no point of law arising out of those parts of the award.

Further reasons were ordered in respect of headings (A) and (B), but not of (C) to (F).

*For Kansa: Mark Waller QC and Peter Hayward (Holman Fenwick & Willan).*

*For Bishopsgate: Simon Tuckey QC and John Rowland (Davies Arnold & Cooper).*

**Rachel Davies**

Barrister

# Change in law on subsidiaries sought by DTI

BY RICHARD WATERS

A CHANGE in the law to prevent companies from leaving subsidiaries out of their group accounts is being proposed by the Department of Trade and Industry.

A number of schemes undertaken by leading companies, including S&W Berisford, Burton and Storehouse, would be outlawed by the proposals.

At present, a company is treated as a subsidiary only if more than half of the shares are owned by the parent. Complex financial arrangements make it possible for parents to retain their control while not owning a majority of the shares.

By keeping the debts of these "controlled non-subsidiaries" out of the group's consolidated accounts, such schemes improve the group's overall gearing (the ratio of borrowings to shareholders funds).

In a letter to accountants, lawyers and industry representatives at the end of last month, the DTI said it planned to introduce a wide definition of what counts as a parent/subsidiary relationship in the next Companies Act, due in the 1988-89 session of Parliament.

Influence over the financial or operating policies of one company by another will indicate such a relationship, provided the parent has some form of interest in the subsidiary's profits or assets.

S&W Berisford's 1986 accounts reveal that property worth £59.5m was held by two associated companies, Torlap and Manordream, and hence not included in the group accounts. Yet the borrowings to finance this property were guaranteed by Berisford.

Mr Alec Gray, chief financial accountant at Berisford, said that when those companies were set up, most of the finance was not guaranteed by Berisford. He said: "This tends to vary from year to year."

The company would have to "consider very carefully" its position if the DTI proposals become law, he said.

Burton's latest accounts show that the group sold and leased back £100m of property to a 50 per cent-owned company, Hall & Sons. Since it does not have a majority interest, Burton does not need to treat Hall as a subsidiary.

Storehouse last year unwound an arrangement under which its "subsidiary", Richard Shops, was taken off the group balance sheet.

# Norcros dismisses its chief executive

By Clay Harris

**NORCROS, the building products and specialist print and packaging group, has abruptly dismissed Mr Terry Simpson, its chief executive for more than three years.**

**He left the company on Monday afternoon after being told the outcome of a board meeting that morning, at which he was not present. Norcros yesterday refused to amplify its official statement that Mr Simpson had left after a "disagreement over the implementation of group strategy."**

**His sudden departure surprised City analysts. Norcros shares lost 16p to close at 323p.**

**Mr John Hopkins, technical director, has been appointed acting chief executive while the company conducts a search for Mr Simpson's permanent successor. Mr Peter Jordan was appointed to the board and will retain his responsibility for print and packaging.**

**Mr Simpson, 48, had worked at Norcros for nearly 20 years. He had been on the board since 1977, becoming chief executive in July 1984.**

**He was paid £109,669 in the year to last March 31 and has a five-year service contract. His current salary is believed to be about £115,000.**

**Norcros said yesterday it remained committed to its policy of concentrating on building products and specialist print and packaging, a strategy developed during Mr Simpson's tenure.**

**The group's products include Cristal, the leading Britishglazed wall-tile, Crittall metal windows and Triton electric showers.**

**Norcros said its results for the six months to September 30 would be in line with market expectations.**

**It confirmed its pre-tax profits forecast of £62m for the full year, an estimate made in April shortly before Norcros narrowly defeated a £570m bid from Williams Holdings.**

# Motorists 'facing chaos' without new trunk roads

MOTORISTS face chaos on trunk roads unless new schemes are started soon, the British Road Federation said yesterday.

Forecasting possible widespread congestion on motorways and major roads in the 1990s, the federation launched a £4bn road programme which it hopes the Government will adopt.

Mr Peter Witt, federation director, said: "Unless we get action, we are going to have severe congestion. The jams we are seeing now on the M1, M6 and M25 will become much more commonplace throughout the trunk road network."

The federation believes government provisions for new roads and road improvements, announced by the Chancellor, Mr Nigel Lawson, earlier this month, do not go far enough.

It also fears that the Government is underestimating the growth of traffic over the next few years.

The organisation's alternative road programme is contained in a report, The Way Ahead. It calls for a Home Counties orbital route running 30 to 40 miles from London to relieve the M25; a new motorway between Birmingham and Preston to relieve the busiest sections of the M6; the A1 to be upgraded to motorway standard from London to Newcastle; and all-weather routes across the Pennines from Manchester to Sheffield.

Michael Skapinker on a club which encourages community involvement

# Preaching benefits of corporate generosity

THE PER CENT Club, set up in December to encourage companies to increase their involvement in the community, is in one sense nothing, because it does nothing, Sir Mark Weinberg, the club's co-chairman, told its first annual meeting on Monday night.

Sir Mark's statement was not an anguished admission of corporate ineffectiveness. His own company, Allied Dunbar Assurance, has an impressive record of community involvement. Six of its accountants, for example, provide a free problem-solving service for charities in the Swindon area.

His point was that the Per Cent Club has no central fund, no head office and no activities other than its annual meeting, although it has 110 members. Its minimal administration is carried out by staff of the inner-city action group Business in the Community.

The Per Cent Club's only purpose is to encourage companies which give money to charity, lend staff to voluntary organisations or sponsor cultural or job-creation initiatives, to tell the world about it. The hope is that companies which do not devote much time or money to community activities will then be inspired to do so.

To qualify for membership of the club, companies have to contribute more than half a per cent of their pre-tax UK profits to the community, either in cash or through the involvement of executives and employees in socially-worthwhile projects.

How successful has the club been in its first year? Prince Charles, who addressed its annual meeting, read out such a long list of corporate community activities that some listeners were left wondering why there was any need for the Per Cent Club.

The Corporation of Lloyd's has funded a loan for the development of small businesses in the East End of London. Kleinwort Benson has made funds available to the Bangladeshi community. Mercury Asset Management has funded workshops in the London boroughs of Hackney and Lambeth.

Prince Charles said: "United Biscuits' staff, scattered across the country like crumbs, have supported projects including a hospice at Halifax, where money was collected through raffles, sponsored slims and swims, a marathon and a cycle ride from Lands End to John O'Groats."

But the statistics of the Charities Aid Foundation show that total charitable donations by Britain's top 200 companies still fall far short of the half per cent target. The £58m they gave last year was an impressive rise on the previous year's figure of £46m, but represented only 0.2 per cent of the top 200's pre-tax profits.

The point was taken up by Sir Hector Laing, chairman of United Biscuits and the Per Cent Club's other co-chairman, who told the annual meeting that the club still faced some important challenges.

"I said last December that our interim target for membership was 200 major companies. Although we are more than half-way there, most of our existing members are companies with a long-standing commitment to community involvement, so that their recruitment was in effect a public affirmation on the part of believers.

"We are now reaching the stage where all of us need to preach with greater fervour to bring into our fold the as yet unconverted," he said.

Even some of the converted have drawn back from adding their names to the Per Cent Club's membership list. The absentees include some of those commended by Prince Charles. When the club was launched the large oil companies, for example, said that because of the volatility of their industry they were reluctant to commit themselves to handing over specific percentages of their profits.

Sir Hector said the club had to broaden its membership to take in smaller and regional companies.

"I believe there are many regional and provincial companies which are already giving generously to their local communities and which would welcome the opportunity to stand up and be counted. I therefore hope that, before the next Per Cent Club annual meeting, we will have established a number of regional per cent clubs."

Sir Mark Weinberg says city or state clubs tend to be the norm in the United States. Ms Anne Heald, a US-based programme officer of the German Marshall Fund, which encourages the exchange of ideas between the US and Europe, says companies with local community ties are more likely to maintain their commitment during an economic downturn.

The other task the Per Cent Club has set itself is to encourage members to raise the level of their contributions. The half per cent target represented a lowering of the club's original sights. Many of the American organisations from which it gained its inspiration are one per cent clubs.

Sir Mark recognises the need to move slowly. He would like to encourage individual companies to move towards the one per cent mark rather than trying to make it obligatory for all club members.

TOP TEN UK CORPORATE DONORS

| | Company | Contributions £000 |
|---|---|---|
| 1 | Marks & Spencer | 2,964 |
| 2 | IBM | 2,579 |
| 3 | British Petroleum | 2,500 |
| 4 | Barclays Bank | 1,779 |
| 5 | Shell | 1,509 |
| 6 | Hanson Trust | 1,416 |
| 7 | ICI | 1,400 |
| 8 | NatWest | 1,294 |
| 9 | Midland Bank | 1,093 |
| 10 | Hewlett Packard | 1,070 |

Source: Charities Aid Foundation

# Private funding plans alarm housing associations

BY ANDREW TAYLOR

VOLUNTARY HOUSING associations, which the Government wants to play a major role in plans to revive the rented housing market using private investment, have serious reservations about the way the proposals would work.

A housing bill which would require housing associations to raise an increasing proportion of their funds from the private sector, is expected to be published shortly by Mr Nicholas Ridley, Environment Secretary. Rents on new lettings would be expected to be high enough to give investors a satisfactory return on their money.

The bill would mean the end of local authorities as major providers of rented housing.

The National Federation of Housing Associations said yesterday that the impact of the proposals, together with cuts in housing benefit, might mean associations having to turn away low-income-earners who could be caught in a new poverty trap.

People not eligible for housing benefit, or who received only a small entitlement, could pay up to 40 per cent of their net income on rents which would have to rise to attract private investors, said the federation.

It proposed a system of "affordable rents" be introduced, to replace fair rents which are to be abolished under the Government's plans.

Affordable rents would place a maximum ceiling on rent levels to ensure that low-income earners and those receiving only a modest occupational pension could afford to live in rented accommodation, said Mr Richard Best, the federation's director. Rents should be no more than 20 per cent of a person's net income.

Without this kind of safety net, housing associations would be restricted to providing housing only for the unemployed, the destitute and those on state pension whose rents would continue to be paid in full by housing benefit, or middle-income earners who could pay higher rents out of their own pockets.

The federation, responding to proposals made in a white paper published at the end of September, said that rising property prices and interest rates might make it difficult to raise as much private sector money as the Government would like.

It said a pilot programme designed to raise 70 per cent private sector money to 30 per cent grant had failed to meet its target. Additional resources had been provided out of association reserves or by obtaining land free or at concessionary prices, mostly from local authorities.

● The Labour-controlled Association of London Authorities said yesterday that the private sector was incapable of providing the million extra homes the country needed. It said research should be conducted into housing needs and that local authorities should retain a key role

# Nuclear power 'has future in a privatised electricity industry'

BY MAURICE SAMUELSON

MR DONALD MILLER, chairman of the South of Scotland Electricity Board, said yesterday that nuclear power had a future in a privatised electricity industry.

Nuclear power throughout most of Europe had been developed in the private sector and operated on standards as high as in the public sector. Government responsibility for insuring its safety was similar, whether in the public or private domain.

"The private sector can indeed point to a very responsible performance in areas of industry where the risk levels are, if anything, greater than with nuclear power."

However, he suggested there might be a "less satisfactory situation with regard to safety" were privatisation to involve a significant increase in the number of nuclear stations operating in the UK.

On the economics of nuclear power, Mr Miller said that in Scotland nuclear power was substantially cheaper to run than the SSEB's large, efficient coal-fired stations and would remain so, even if all Scotland's coal were purchased at world market risks.

He could therefore "see no reason of principle" why a private sector organisation should not be able to reach a commercial decision to build a new nuclear power station and then find the money to do it, if it were properly capitalised and regulated, and if it was a commercially proven model.

Nuclear power entailed larger business risks than fossil fuel plants, requiring insurance against loss of output. Insurance against these business risks could be met through the commercial insurance market.

Donald Miller: nuclear power is cheaper to run

FT CONFERENCE
WORLD ELECTRICITY

But the best insurance was for a nuclear utility to be large enough to sustain the occasional temporary loss of output from individual generating units.

The need for strong regulation of a privatised UK electricity industry was stressed by **Mr Andrew Warren**, director of the Association for the Conservation of Energy. Quoting from the the Confederation of British Industry's submission to the Government on privatisation, he said the degree to which regulation was necessary would depend on the extent to which genuine competition was developed.

The regulatory authority should have powers to consider four fundamental areas - pricing, capital investments, accounting practices and safety.

**Mr Graham Hadley**, secretary of the Central Electricity Generating Board, which had earlier withdrawn from participating in the conference, circulated a statement reflecting the board's anxiety about moves to end its control of the National Grid.

Such a move, said Mr Hadley, could raise the industry's costs in England and Wales by £1bn a year, equal to a 10 per cent increase in electricity prices, and fragmentation of the industry could put national security of supply at risk.

He said, however, that the CEGB was not opposed to privatisation "carried out carefully and sensibly." The board was also not opposed to competition and was not concerned to preserve itself as an institution. "But it does want to safeguard the interest of the consumers - in particular their security of supply and the cost of electricity."

In a paper on electricity and the environment, **Mr Werner Hlubek**, director of Rheinisches-Westfalisches Elektrizitatswerk (RWE), reported that more than 60 per cent of West Germany's coal-fired power stations would have been fitted with desulphurisation units as part of the country's contribution to combatting acid rain in the atmosphere and the remainder of those not being phased out would have been adapted by the middle of next year.

However, the desulphurisation programme created its own environmental problems in the form of 4m tonnes of gypsum a year

# Insurance cover for accountants

By Richard Waters

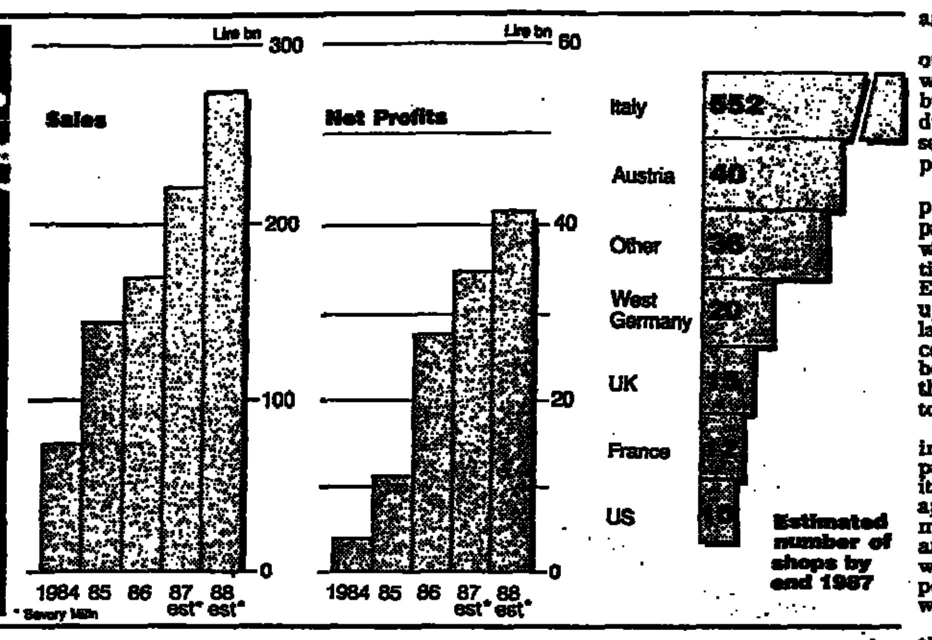
CHARTERED ACCOUNTANTS are to be compelled by the three chartered accountancy bodies in the United Kingdom to have insurance cover against lawsuits after January 1990.

The Institute of Chartered Accountants in England and Wales, the largest of the three bodies, said the accountants' ability to practise without cover was a gap in the institute's self-regulatory arrangements which left the public and accountancy firms inadequately protected.

Chartered accountancy firms will be required to be insured for at least £500,000, but will be advised to have cover two-and-a-half times greater than their annual fee income or 25 times greater than their largest single fee.

Solicitors, chartered surveyors and certified accountants already have to be insured.

# MANAGEMENT


**target europe**

Stefanel

## Knitting together an international team

**Alice Rawsthorn explains how Stefanel has used its native Italy as a springboard into global retailing**

"TO US THE domestic market is not Italy, but Europe. From the very beginning we saw Stefanel as a business with global, or at the very least, European potential."

Guiseppe Stefanel, the 35-year-old president of the Stefanel international retailing group, is one of the new breed of young European entrepreneurs who have always perceived their businesses within an international framework.

Seven years ago Stefanel was one of the hundreds of knitwear manufacturers in the area around Venice and one of the thousands of family firms which have flourished as the "spina dell'economia", or the backbone of the Italian economy.

Today it is an international retailing business with more than 700 outlets, more than a fifth of which are outside its native Italy. This year it expects to make profits of L36bn (£17m) on sales of L220bn.

The ability to expand within Europe has been an important element in Stefanel's success. The absence of trading barriers has already eased its expansion beyond Italy into Northern Europe. It is now preparing for 1992 when, or so it hopes, the European Commission will have introduced a unified market.

Stefanel is a relatively recent recruit to retailing, but its involvement with the textile industry dates back to the late 1950s when Carlo Stefanel - Guiseppe's father, who earned his living by travelling from village to village to sell wool from the back of his bicycle - borrowed money to begin a knitwear business.

The company he founded, Maglificio Piave, was initially concerned with knitwear manufacturing. But in 1980 Guiseppe Stefanel - who became president on the death of his father earlier this year - opened the first of a chain of shops bearing the family name.

The Stefanel shops were positioned to fill a perceived gap between the designer collections and the mass market. At first they sold a small range of knitwear, designed by Giovanna Stefanel - Guiseppe's sister - and manufactured at the family factory. After two years the business diversified into a wider range of clothing, still designed by Giovanna, but sourced from sub-contractors.

From the start Stefanel adopted the franchising system pioneered in the fashion industry by Benetton, the international textile group based on the opposite bank of the River Piave near Venice.

Guiseppe Stefanel balks at the inevitable comparisons with Benetton. The two companies differ in that Benetton specialises in knitwear, while Stefanel stocks a more varied range of clothing. Benetton's merchandise is slightly cheaper than Stefanel's.

But the two companies are alike in that both have adopted a franchising system by which to run their shops. In this area, at least, Stefanel concedes that it has copied Benetton. Under this system the franchisees, who own and operate the shops, receive exclusive rights to Stefanel's merchandise and benefit from the marketing and managerial support that the group provides.

Stefanel retains control of merchandising and presentation in the shops that bear its name. This system also enables it to expand rapidly at very low capital cost, whether in Italy or overseas.

Within a year Stefanel had opened 20 shops across Italy. Within four years it had established a chain of 350 units and began to look for growth elsewhere in Europe.

Initially the Italian formula was translated intact into other countries. Stefanel would buy its first shop as an "experimental" unit and then expand through franchising, selling the same collection produced for the Italian market.

In the early days moving overseas was fraught with problems. "It was difficult, very difficult," recalls Guiseppe Stefanel. One problem was that the Stefanel name was unknown outside Italy. More pertinently, the company had neither the management structure nor the resources to meet the demands of different national markets.

Stefanel has spent the past three years building up the structure it needs to solve these problems and to equip the company for expansion throughout Europe.

One of the priorities was to assemble a central management team at the Venetian headquarters which could cope with the demands of an international business. Until 1984 Stefanel had been run chiefly by the family - with Carlo in charge of production, Guiseppe of retailing and Giovanna of design - but the company then began to recruit new people to strengthen the senior management team.

Stefanel chose young executives who would be able to develop their roles as the business grew - the average age of the senior managers is 40 - but who had already worked within multinational companies. The senior team has been drawn from the Italian subsidiaries of international companies such as Levi-Strauss, Quaker Oats and Zanussi. This team is now in place and is capable, or so the company hopes, of coping with a business double Stefanel's present size.

The group also needed to establish a structure of local management within its overseas markets. The "flagship" shop that it buys when it moves into a new country to test the demands of the local marketplace is used in this context; Stefanel sends executives over from Italy to liaise with local consultants on shop locations and fashion trends.

In the smaller markets the parent company is represented by agents. But in the more important markets it has set up central offices and employs area managers. These managers have come from companies with experience of franchised fashion retailing.

The area managers liaise between the franchisees and the parent company offering advice on merchandising, store design and management. In turn they report on the performance of their areas to the divisional heads responsible for finance, marketing and image.

Stefanel has the twin objectives of making the most of the economies of scale inherent in volume production and remaining responsive to the needs of individual markets.

Experience has taught it that orange does not sell in the Netherlands; that patterned knitwear is more popular in Britain; that trouser legs should be a few centimetres longer for the West German market; and that shops in Northern Europe need to stock more knitwear than those in the South.

The market position of the group also changes from country to country. In West Germany, for example, Stefanel perceives its competitors as Boss, Benetton and Esprit; whereas in France it pits itself against Cacharel, Manoukian and Benetton.

Stefanel's solution to the problem of reconciling the needs of different markets is to combine a rigorous research programme with a flexible production process. Giovanna Stefanel's design team has brought in new designers from different countries and works with style consultants all over the world. Sales information is supplied by a computer network which provides real time data from 100 shops.

The collection has been expanded to embrace the different demands of each market.

Stefanel uses a combination of in-house production and sub-contracting to accomodate the needs of individual markets. Most of the knitwear and some of the clothing is produced by the group's own factories - which are equipped with the latest technology - but the bulk of the collection is sourced from the 150 or so sub-contractors, each employing 15 or 20 people, based around its headquarters.

These small family firms not only execute labour intensive work in a cost efficient manner, but have the flexibility to produce small orders of longer trousers for West Germany or black polo necks for France.

Given that distribution is not a problem - orders can be dispatched from Venice to London within a day - Stefanel will continue to manufacture from North East Italy where it can draw upon a pool of skilled local labour. The proceeds of its forthcoming flotation on the Milan bourse will be used to finance the construction of a new factory.

Having established a presence in Northern Europe, the company is now keen to consolidate its position. Earlier this year it appointed McCann-Erickson, a multinational advertising agency and part of the Interpublic network, to orchestrate a pan-European advertising campaign which will begin next year.

Thus far Stefanel's international expansion has concentrated on the open markets of Northern Europe. In other markets - such as North America and some of the Southern European countries, which impose duty on imports - the company has been less ambitious.

It has attempted to overcome the duty problem in the US and Canada, where it has a small number of shops, by positioning itself in a more expensive market niche. It will adopt the same policy in Spain, Portugal and Greece.

But Stefanel is contemplating a different strategy for the Spanish market. It has just opened a shop in Madrid and is considering opening a production plant near Barcelona from which it can supply the Spanish shops.

Yet Guiseppe Stefanel envisages the Catalonia plant as a short-term solution. After 1992, when the European market is unified, the group will have the freedom it needs to develop the Spanish, Portuguese and Greek markets.

Now that the management structure and systems are in place, Stefanel plans to accelerate its European expansion. In Italy, where there are 550 shops, future growth will concentrate on new ventures such as the Stefanel Kids concept introduced this autumn.

Elsewhere in Europe the company will concentrate on developing one or two markets at a time; West Germany and France are the present priorities.

This year Stefanel expects to find a fifth of its sales overseas; next year it will source a quarter. Within the next five years at least half of its business will be based outside its native Italy and Stefanel will have achieved its objective of becoming a truly international business.

*Previous articles in this series were published on October 14, 21, 28, November 2 and 13.*

## Submarine cables

## Combined expertise makes a link-up

**David Thomas on inter-GEC collaboration**

IF YOU HAD happened to be standing by the River Thames near Gravesend one day last month, you could have seen a cable 45km long being slowly wound out of a factory into a waiting boat.

This is not a particularly unusual sight at that spot since it is the home of a cable factory belonging to AEI, the power cable subsidiary of the General Electric Company, the electronics and engineering group.

Yet the cable in question was a new departure for GEC in two key respects:

- It was the product of an innovative collaboration between AEI and Telephone Cables Limited (TCL), another GEC subsidiary based 10 miles away in Dagenham.

Like other big groups, GEC has experienced difficulties in encouraging its constituent companies to talk to each other - difficulties compounded in GEC's case by its highly decentralised structure and its size: 120 subsidiaries with 135,000 employees.

- It was a move by GEC to re-enter a market which it had abandoned almost 20 years ago.

For unlike the cables which normally slide through the AEI doors, the cable being loaded onto the boat had nothing to do with power supply. It was an optical fibre cable destined for a new British Telecom submarine link between Scotland and Northern Ireland.

GEC has moved back into a business - submarine telephone cables - which it vacated in the early 1970s when it sold out that part of its operations to STC, another British electronics company.

Mike Spoor, TCL managing director, explains that this move was possible only by combining the different expertises in TCL and AEI to seize the opportunities presented by the fast evolving optical fibre technology.

The use of optical fibre has transformed the economics of submarine telecoms cables because it allows telephone signals to travel much further without a boost from a repeater - a piece of equipment which is expensive to build, instal and maintain. "The logical step for us was to re-examine the market and having done that to say we'd go for it," Spoor says.

TCL's study pointed to an entirely new market for small cables separate from the traditional long-haul transoceanic submarine telecoms links. "People have not looked at relatively small distances. That is where we see a lot of the business," explains Gerry Boothroyd, recruited by GEC from STC as general manager of its new submarine communications.

But before it could attempt even such short-haul links, TCL needed submarine cabling capacity. So it turned to AEI, its sister company well-versed in making heavy duty submarine power cables, with which it had never collaborated commercially on this scale before.

"We are the bucket and spade side of things. We don't know anything about telecommunications here. We're strictly a power manufacturer," as Lionel Sloman, managing director of AEI's power cables division, disarmingly describes the relationship.

Or as Spoor puts it: "We make the fibre optic package and we send it across to AEI who do the finished cable." TCL, with its roots in the telecoms business, also kept the job of selling the finished product.

TCL and AEI made their first sale to a power company in New Zealand which wanted a 7 kilometre submarine fibre optic cable to run telecoms services to a small island, before clinching its first substantial deal with BT. At AEI, Sloman describes the New Zealand contract as "typical of the job we would like to get and we think there are hundreds around the world."

The transformed economics of submarine fibre optic cable should prove attractive to countries like Indonesia with many islands to be serviced or like Norway which might prefer underwater to land-based cables, Sloman and Spoor believe.

In the medium term, they see the scope of the venture expanding if their push into this market proves successful. Sloman talks tentatively of re-entering the long-haul submarine market. Both companies are thinking about running power and fibre optics through the same cable much more extensively.

In the past, says Spoor, looking back before AEI's and TCL's collaboration started, "they had their markets and we had ours - and they didn't overlap."

# TECHNOLOGY

## How music business has tracked down the lost chord

**Jane Rippeteau reports on a new wave in synthetic sound**


HOW WOULD you like to sit down at a piano keyboard, play a few notes, and sound like the entire string section of a major orchestra?

That is what Mark Knopfler can do. Composer, guitarist and leader of the Dire Straits band, Knopfler owns a Synclavier Digital Audio System, a quarter-million-pound computer-driven device developed and built by the New England Digital Corp. of White River Junction, Vermont. The machine can store, manipulate and reproduce thousands of sounds electronically.

The Synclavier is one of several similar products introduced in the last five years that, as synthetic sound technology has improved, are beginning to change the economics of and the way that music is made.

Knopfler used his Synclavier this year, working with keyboard player Guy Fletcher, to compose the sound track for the new Rob Reiner film, "The Princess Bride." He says he next plans to use the equipment to compose an original orchestral score.

Cost savings in the production of long-playing records can be considerable. Making a rough calculation, Nick Gatfield, director of Artists and Repertoire at the EMI Records unit of Thorn EMI, says that using a Synclavier to build up background tracks in "pre-production" work can save up to £3,000 by shearing two days off the normal five to seven required to complete the cut of the lead track on an LP. That could cover the one-time cost of the equipment.

Artists from Stevie Wonder and Sting to Michael Jackson and Charles Aznavour have spent the £100,000 to £250,000 needed to buy a Synclavier, according to David Whittaker, sales chief for Harman UK, New England Digital's European distributor. He says that about 450 systems are now in use around the world.

"More and more records are taking advantage of this," says Gatfield. Today, he adds, "it is difficult to produce, live, a drum sound as good as a top-quality synthetic sound. People have suddenly realised what you can do with this equipment."

Synthetic sound, or sound generated electronically, is not new to music. The Moog synthesizer, developed in the 1960s, popularised the concept. Today, there are lap-top electronic keyboards for children, and small sound-mixing desks sell by the thousands.

Earlier this year, Yamaha of Japan set up a music laboratory in London where musicians can test new products, including a piano with a MIDI (musical instrument digital interface) controller that can run a number of attached synthesizers. At the market's top end are multiple-channel mixing desks, their banks of switches and knobs commanding the latest microprocessor chips.

Beyond even these are the Synclavier, a less pricey competitor from Fairlight of Australia, and AMS Industries' Audiophile. According to AMS managing director Mark Crabtree, his two-year-old product is aimed specifically at the audio studio market rather than at performing musicians and composers. He says he has sold about 100 systems.

"Every single record in the top 40 has some sort of synthetic sound produced by these kinds of machines," says Gatfield of Thorn EMI. Because a songwriter can call up a huge variety of pre-recorded sounds, a Synclavier or Fairlight can be used to compose in advance of renting "horrifyingly high-priced" studio time, he adds. "A Synclavier is not a substitute for a multi-track recording studio, but (with it) I can put down a lot of music without ever getting my foot in a 48-track studio."

Such premises cost from £1,000 to £1,600 per day to rent, he says. Artists must be paid on top of that. Although a Synclavier rents at £800 to £1,000 a day, Gatfield says he can accomplish a lot by building up tracks of drum, bass and brass in advance, then finishing in a studio "with live vocals or a live sax solo."

Record-making is only one slice of the market. Television viewers in France are about to be treated to a Honeywell Bull computer commercial in which barnyard puppets will be heard chatting to each other about the product's merits.

Their squeaky voices, which sound like the characters in the bar scene of the Star Wars movie, are straight out of a Synclavier. "The director wanted, not animals talking, but a new synthetic sound," says Lloyd Billing, chairman of The Tape Gallery.

Billing hires out his Synclavier-equipped sound studio mainly to advertising agencies wanting to create audio tracks to fit a video. The Synclavier can be synchronised to video images so that "instead of splicing and rejoining hundreds of pieces of film with sound effects, we make all the sounds on a Synclavier."

Billing says he most often uses about four dozen tracks of music for his compositions, but that his Synclavier system is capable of taking up to 200.

The basic technology that makes all this possible is the ability to capture, store and retrieve sounds electronically. First, a musician plays real notes. These occur as analogue waves, which are then converted into digital codes by sampling. In sampling, a code or series of 1s and 0s of computer language is assigned to virtually each point along the sound wave.

The 1s and 0s, stored in the computer, are recalled as needed and amplified into their original sound. Synclaviers come with a ready-made store of sounds. Composers can then add their own original sounds, as well as those created by others.

The technology "means that all these sounds are accessible to the average musician," says Gatfield. "If someone can play trumpet but not keyboard, this can give the missing capability."

One note of warning comes from Gatfield. Since the Synclavier can be programmed to correct an offbeat performance, the resulting perfect tempo can lack human warmth. Some composers programme in a millisecond offbeat note "to introduce a human feel," he says, adding: "These machines are superb and brilliant. But what sells a record is soul, not sound."

If you really get stuck, with a Synclavier you can even programme in the applause.

## WORTH WATCHING

Edited by Geoffrey Charlish

### Philips and Sony set CD standard

"WRITE ONCE" specifications for Compact Disc have been agreed by the two major innovators in CD, Philips of The Netherlands and Sony of Japan. The digital discs will allow 600m characters of text to be recorded by the user.

The move follows the specifications, widely followed, that have been laid down for CD audio (basically gramophone records) and CD ROM, which are recorded with text by an information supplier (reference databank publishers for example) and stamped out in a similar way for distribution.

Write Once, however, puts the once-only, non-erasable recording process in the hands of the end user. It will be employed, like other larger and better-established optical disc systems, for information storage where quick access to a small part of a large database is important.

In particular, Philips/Sony Write Once will be in immediate competition with 5.25-inch WORM (write once read many times), pioneered by Optotech and Information Storage Inc. in the US, and taken up by companies like Toshiba and Hitachi in Japan.

Optical disc sales commensurate with magnetic discs seem unlikely until erasable optical media are perfected and are taken up by the computing industry in widely used read-write applications.

### All quiet on the Western Front

PLESSEY, THE major UK electronics group, is to put a new design of noise-cancelling headset into the British Army's Warrior tracked infantry support vehicle.

The headset system uses a technique called active noise reduction, in which the background noise from engines and weapons is detected and another sound generated which is "anti-phase" to it and therefore cancels it out.

Speech generated by the headphones (from other members of the crew) is heard much more clearly. Plessey Military Communications of Havant is supplying the systems under a £1m contract from the British Ministry of Defence.

### Telephone sales come on tap

TELEPHONE SELLING takes on a different complexion with the announcement by Datapoint of London of a system called Prospector. The telephone instrument and paper files are replaced by screen and keyboard and it is claimed that the productivity of sales operators can be increased by 50 per cent.

Lists of clients and their details are kept in a computer store and displayed on the user's screen. He makes a selection, presses a single key and the number is automatically dialled. If it is engaged or unanswered, the number goes back in the list to be dialled later. Or, if the prospective client asks to be called back at a specific time, Prospector will do it.

With the call connected, the sales operator can enter new details about prospective sales as soon as he receives them.

In addition, the system will initiate follow-up action, printing a previously compiled standard letter or document.

On a management console, the sales supervisor can monitor the performance of the staff, on the screen or in the form of periodic printed reports. The cost of Prospector is £5,000 to £6,000 per workstation.

### Bleep: Your favourite share has just fallen

A USEFUL twist to the radio paging idea has been provided by the CCF Group of London, which has introduced a service giving up-to-the-minute information about stock market changes.

Within the M25 motorway circle, the user can be alerted about movements in any shares he cares to nominate, via a share price monitoring facility and a Stock Exchange price information feed.

As soon as one of his nominated stocks moves by a specified amount, his pager bleeps. Alternatively, the pager will store up to 20 alerting messages of this kind and the user can read them back on the pager's small screen at a convenient time.

Sharechecker makes use of an existing London radio paging service. A pager costs about £300 to buy or £18 a month to rent. A typical total cost, covering three or four shares is about £70 a month if the pager is rented.

### Scenting business in aerosol replacement

IS THE world of the spray can turning full circle? Anyone older than about 45 will remember that ladies used the "scent spray", a rather attractive bottle with a rubber bulb that was squeezed to make spray. It could be refilled and went on almost for ever.

The aerosol can changed all that. Today, however, a debate rages about destruction of the stratospheric ozone layer due to the propellant gases used in aerosols. There is a prospect, albeit not yet fully established, of harmful levels of ultraviolet radiation at ground level. So now "scent sprays" are returning.

A UK company well into this market is Sundt Plastics of Hanham, Bristol. It makes finger-operated plastic pump units that screw on to the container. Some, with trigger action, for uses such as cleaning and gardening, send a jet 10 feet upwards, and others, with a button depression, will provide a gentle spray in bathroom or bedroom. Others produce a foam.

Sundt's pumps already propel 200 products, although some of the more personal applications like underarm deodorants (a major market segment), have yet to be developed. Cost is a problem although strangely, re-fills, using the same pump perhaps 30 times, are not widely exploited yet. But the container can be any shape the marketing man desires, not just a plain cylinder.

CONTACTS: Philips: The Netherlands, 40 758163. Plessey: UK, 0705 474181. Datapoint: London, 459 1222. CCF Group: London, 377 9755. Sundt Plastics: UK, 0272 672241.



## Cost-saving chain reaction to retail price changes

BY BOB KING IN TAIPEI

A YOUNG Taipei-based company that blends the talents of British, US, and Taiwanese engineers and business people has introduced a new microprocessor-based system that will end decades of headaches for large retailing chains around the world.

Integrated LCD Technology Corporation (ITC) of Taipei has nearly completed on-site testing of a system that will allow retailing chains to change product prices almost automatically and at a fraction of the cost of systems now available.

Such capabilities are of great importance to the chains, which often register hundreds of price changes a week.

Mistakes can be costly: according to the Los Angeles Times, the Thrifty Drug store chain in the US agreed over the summer to pay almost $118,000 in civil penalties after several complaints were filed alleging that Thrifty stores sometimes sold at regular prices items advertised at sale prices in newspapers.

ITC's president Peter Hunt says that the Thrifty case is not an isolated one - and that the errors in marked prices are often inadvertant, because the sheer volume of price changes invites mistakes.

The Taiwanese system, which the company claims can overcome such problems, is currently being tested and marketed worldwide through ESL, a subsidiary of Graphic Technology of the US.

With the new system, a retail chain's headquarters can feed price changes into a central computer which in turn downloads the information to in-store computers. From there, the price changes are fed into a hand-held unit which a clerk carries to the various shelves and connects to liquid crystal displays(LCDs) mounted there to display prices. Once connected, prices are changed at the press of a button, and the entry unit directs the clerk to the next product.

After the individual changes have been completed, the clerk connects the unit to the in-house computer, which verifies the changes and updates prices at point-of-sale units.

The price-display unit measures 3in by 1.5in by 0.25in and is powered by a lithium battery with an expected life of five to six years. Space is available on the "Accu-chek" label for an advertiser's message and even a picture of the product. The company claims that the time required for price changes can be cut from a typical four to five days to as little as six hours using the system.

Hunt says that 2,000 units are currently being tested, and that the company is now manufacturing the first 100,000 units, which have already been purchased by "major supermarket chains in the US." Further tests are scheduled for next year in Canada, Europe, and Australia.

ITC has also introduced onto the market a pocket-sized computer which retails for $50 and allows a user to record memos and appointment times as well as names, addresses, and telephone numbers. If the user has an appointment with his banker at, say, 3.30 PM next January 20, the computer will start bleeping and call up the appointment on its LCD screen.

# ARTS

## Television/Christopher Dunkley

# Grade is Channelled into Isaacs' shoes

The choice of Michael Grade to succeed Jeremy Isaacs as Chief Executive of Channel 4 is so startling that it threatens to overshadow changes at the BBC, made only a few days previously, which may prove in the long march of history to be more significant. The decision to select a man such as Grade, known for his populist scheduling skills, his love of sport, and his identity with show business, to take over a channel dedicated to serving minorities and to innovation of the more arcane sort, is quite extraordinary.

Grade has been much admired in the industry for his willingness to go, scarlet braces and all, into such lions' dens as the Edinburgh Television Festival, and give as good as he gets from the hard men and women of the left. Furthermore he has been the only high ranking BBC executive to speak out loudly, clearly, and repeatedly - not as a spokesman but as an individual - against successive attempts to increase censorship. But, that aside, it is difficult to imagine a choice which would have caused greater astonishment among those who put their faith in Jeremy Isaacs and his vision of Channel 4.

The full implications of the appointment (does it mean that C4 is definitely going to break away from ITV, sell its own advertising, and become a fully independent commercial channel?) will not become clear for some time. Meanwhile the BBC's appointment of Jonathan Powell and Alan Yentob as Controllers respectively of BBC1 and BBC2 marks its arrival at an historic milestone. Immediately behind it lies the most troubled period in its history. In January 1985 the BBC's declining share of the audience slid as low as 39.5 per cent and later the same year came the *Real Lives* row when the Home Secretary leaned on the BBC Governors to suppress a programme about extremists in Northern Ireland.

In 1986 the Government set up the Peacock Committee, amid much talk of the Corporation being forced to go commercial, and later that year after the American bombing of Libya Norman Tebbit made his full frontal assault on the BBC's most prized possession: its reputation as a news broadcaster. At the end of 1986 the BBC Chairman, Stuart Young, died.

Then in the spring of this year came the palace revolution in which Director-General Alasdair Milne was ousted. Not long after he went, his deputy, Alan Protheroe, chose to follow him, as did Brian Wenham, only recently appointed Managing Director of Radio and long tipped for the highest office in the Corporation.

Alan Yentob with Jonathan Powell, and Michael Grade

These difficulties were only the most immediate in a sea of troubles. Technological changes in broadcasting have coincided with a political fashion for deregulation and privatisation to produce conditions which greatly favour private enterprise and seriously threaten publicly financed activities.

The BBC was denied the full increase in funding which it asked for, and the Licence Fee was handcuffed to the RPI. The Corporation has been told that in future it will have to take 25 per cent of programmes from independent producers, and must give up two of its radio wavelengths to provide space for new national commercial networks.

Rupert Murdoch, Silvio Berlusconi and Robert Maxwell are buying their way hand-over-fist into the electronic mass media. After all the years of talk, satellite television really does seem to be on the way now, with the European "Astra" bird promising to deliver 16 new channels, and Britain's BSB conglomerate involved in such staggering sums of start-up money for their satellite service that there is talk of giving away half a million or so dish-and-converter sets to viewers, at a cost of 200 each, simply in order to buy market penetration.

With all that going on around it, where does the poor old BBC stand? Nobody can be sure, of course, but prior to the news about Grade the answer could have been that it stood in the most promising position it had occupied for years. Perhaps it still does.

It was the summoning of Grade to join the BBC which marked the first move in the Corporation's retrenchment. The one time programme controller of London Weekend, he had moved into commercial television in the US and it was from there that the Corporation called him back to take over the scheduling of BBC1. This he did to such effect that so far this year the BBC's average audience share has been a shade over 49 per cent.

With Grade so successful at clawing back the BBC's audience share, the danger, ironically, could have been that in a Thatcherite world the Corporation would make too many new enemies and retain too few old friends, but here the choice of the new Director-General may have been a master stroke. Michael Checkland is an accountant whose purpose is to put the BBC on a sound financial footing by getting rid of overheads and channelling as much money as possible directly into programme making.

He is a level headed man, but not without ambition; no doubt he would like history to record that he was one of the great D-Gs. Clearly he has a shrewd understanding of the balance which must be achieved if the BBC is to survive as anything like its old self in the increasingly competitive broadcasting jungle. To withstand the privatising instincts of tough, and often hostile, politicians the BBC must sustain a reasonable audience share, otherwise the question goes up "Why is the public forced to pay this lump sum for programmes which so few seem to want?" That area has been Grade's special responsibility, and his power was soon to be extended when he became Managing Director of all BBC network television.

On the other hand - and this is probably Checkland's most important insight - in a world where television channels are ten a penny (well, ten for 20 a month, anyway) there may ultimately be little point in preserving the BBC unless it maintains, and perhaps even reintroduces, many if its old Reithian values and services.

It was, presumably, with this in view (and all the troubles associated with *Real Lives* and the like) that John Birt was brought in as news and current affairs supremo with the job of putting together the two departments which had previously been such rivals to make one huge new department. To some it seemed paradoxical to choose a man who has spent his life in commercial television to revivify BBC values. But he owes no allegiance to any of the old BBC factions and is known as a thinker on this particular subject.

Among BBC programme makers Birt has rapidly gained a reputation for a Stalinist approach with centralised control exercised through an unfriendly bureaucracy. People point to the unimpressive BBC programme about national security, *State Of Secrecy* with which he was associated, and to the increasing dullness of *Newsnight* as examples of his influence. It seems unfair to judge, however, until his four new regular current affairs series - on politics, economics, social matters and foreign affairs - begin, and before he has had any chance to bring together the mutually hostile elements of his empire in one location.

Anyway, good or bad, the news and current affairs activities are under their new dispensation; Michael Checkland is at Broadcasting House keeping a beady eye on the purse strings and the BBC's traditional values; and Michael Grade was to have been at Television Centre organising the ratings. What was missing? That central function for which the BBC is admired above all: the consistent production of high quality programmes.

Time was when BBC1 built its audiences with movies, sport and light entertainment, which is why its controllers (Alan Hart, Bill Cotton, Bryan Cowgill, Paul Fox) came from those areas. Now movies and sport have both slipped considerably and Grade has been relying increasingly on home produced comedy and popular drama (*EastEnders* and *My Family And Other Animals* for instance). His own strength, stemming from his days as an agent, is in light entertainment (he still likes to see "his" stars in BBC variety shows) and so it makes good sense to have a drama series expert put in control of BBC1.

Powell, who has been responsible for the production not only of such high quality triumphs as *Bleak House* and *Pride And Prejudice* but also for *EastEnders*, fits the bill perfectly. And if, as the spirit of new Reithianism suggests, the separation between BBC1 and BBC2 is to become more pronounced, with BBC2 more than ever responsible for maintaining the Corporation's reputation for excellence in the arts, music and culture, then Alan Yentob - originator of *Arena* and editor of *Omnibus* - is also a natural choice.

One major anxiety about their function will now be removed: colleagues had wondered whether, with Michael Grade just round the curve in the corridor, Powell and Yentob really would be able to behave as controllers of their channels without the old master tactician forever inserting his felt tip in their schedules. Now he will be otherwise engaged in Charlotte Street, leaving two young, vigorous and clever men to run the BBC channels, presumably with a new Managing Director of BBC Network Television appointed instead of Grade...or will Grade's mentor, Bill Cotton, have to postpone his retirement?

Whatever happens on that front, there is already plenty for the new channel controllers to do. Yentob's new nightly arts programme (*Late Night Lineup* for the nineties) cannot come too fast for me, and perhaps he can break some ground by reducing the violence and increasing the sex on his up-market channel. Powell can go to work as soon as he likes on the wasteland of Saturday night, and can take an axe to the domestic sitcom. If he does nothing else in his period as Controller but manages to bring intelligence back into BBC comedy he will have earned immortality.

Meanwhile, over at Charlotte Street, Grade is going to find Isaacs - much the most admired executive among programme makers - a hard act to follow. He will need all his charm and possibly a belt as well as the famous braces.

## The Taming of the Shrew/Richmond

**Martin Hoyle**

The British Actors Theatre Company is a brave new group that, for its initial production at any rate, has dispensed with a director and put the emphasis back where traditionally the English-speaking theatre excels: with the players.

This week they bring Shakespeare to the theatre on Richmond Green, and lead with the chin by presenting the comedy that cries out for re-interpretation in our sexually egalitarian (or even invertedly sexist) day. And very traditional it turns out to be: straightforward, uncomplicated, and at least blessedly unapologetic. This is inevitable when the whole company has its say, albeit under the supervisory eye of Peter Woodward, the group's "Play Manager": no individual vision emerges with its idiosyncrasy, and when possible points of contention among the dozen-strong cast are ironed out we are left with the common denominator of blandness.

This is apparent in such half-hearted moments as the Shrew's torture of her little sister with an improvised iron maiden of upended benches, all the better to crush her with, my dear; which Kate O'Mara's Katherina threatens rather perfunctorily and which Edward Brayshaw's Baptista takes rather blankly. A director might have sharpened the focus and left both audience and performers less uncertain about the seriousness of Kate's intentions.

Otherwise Miss O'Mara beautiful if bedraggled Shrew and Tim Woodward's swashbuckling Petruchio are portrayed on conventional lines except for their very first encounter. There are a few seconds of stunned silence; what is obviously overcome. This is love at first sight, and the two are patently made for each other, an impression that sweetens what can all too easily appear a brutal plot by turning it into an evening of extended fore-play.

Despite an apparent passivity that allows Bianca to be felt and stroked by her suitors as if she were a roll of cloth for sale, Julia Goodman's slightly sullen air hints that spleen may be congenital in the Minola family and not entirely concentrated in the elder daughter. Graham Pountney is a suitably romantic Lucentio, while Tranio is in the safe hands of Nicholas Day, one of those intelligent actors who can round out even a supporting role into something vivid.

There are no weaknesses in the supporting roles, as one might hope from a company with these aspirations. Costumes are Elizabethan, and the anonymous set handily combines tables that become benches and high-backed settles with a functional staircase and landing - though the lower flight of steps is invisible from the left-hand stalls.

## Macbeth/Donmar Warehouse

**Michael Coveney**

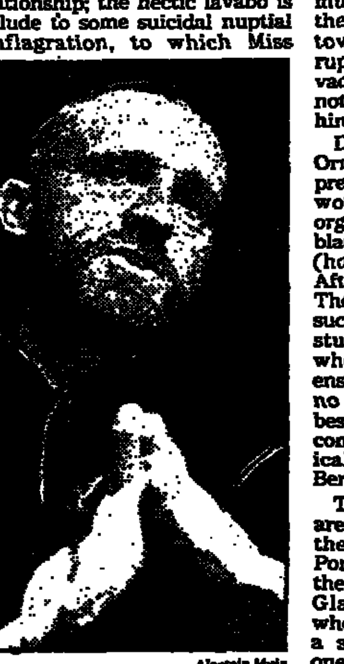
The dagger that Macbeth sees before him is usually invisible. Sometimes we see Banquo's ghost, sometimes not. The seed of Banquo kings stretching out to the crack of doom can cause a problem. Birnam Wood coming to Dunsinane like a mobile garden centre can be ridiculous.

Cheek by Jowl, in easily the best production of theirs I have seen, respond to the speed and flexibility of this exciting play by obliterating all props beyond a circle of simple stools for the feast, two torches for Banquo's murder and a candle for the sleep-walking scene. Even the crown is a mirage, wrenched at the end from a tyrant's head which is then unceremoniously "booted" over the battlements.

Scenes are overlapped and interleaved with with a sure cinematic touch. The stage is an uncluttered black hole from which emanate ensemble sound effects of the witches' litanies, loud knockings and wailings, finger-drumming rainstorms and horses hooves, a chattering brood of temple-haunting martlets. The earth hath bubbles, and the water has, and the air is stiff with them.

Mime becomes not a mannerism but a style, with echoing repercussions. Fleance helps his father with his sword shortly before Macbeth sees the dagger. Light paradoxically thickens throughout this play while images retain transparency. A blind Duncan (Des McAleer, later a wise Macduff) fingers faces, misconstruing the minds eye of each treacherous courtier.

These physiognomical fumblings cross-fade into Lady Macbeth rubbing her eyes, slapping on make-up and generally prefiguring her collapse. Leslee Udwin's performance is brilliantly worked out, drawing Keith Bartlett's tempestuous ginger thane into the reflections of her vanity mirror. The production's masterstroke is to suggest that she, too, ends up with a ghost, her husband's. She is obviously used to fantasising their relationship; the hectic lavabo is prelude to some suicidal nuptial conflagration, to which Miss Udwin glowingly ushers her absentee warlord.



Alastair Muir

Keith Bartlett

Mr Bartlett is a chuckling, wild-eyed desperado propelled by a maniacal ambitious urgency similar to Jonathan Pryce's at the RSC last year. There is too much unnecessary garbling, but the outlines are sure. And his unwavering fanaticism, distant from tangible reality, is beautifully expressed in such minute detail as the slitting of the hired murderers' invisible bonds, or the deliberate picking at the leftovers of a meal he has disrupted. A stare both fixed and vacant sums him up, a vision of nothingness speckled with bright hints of disaster.

Declan Donnellan and Nick Ormerod (director and designer) present an unspecified political world of high volatility, the organic acting team dressed in black tunics, dark tartan trews (horrid zips) and black boots. After Duncan, loonies rule ok. The hallucinating hell-hound is succeeded by Timothy Walker's stuttering psychotic Malcolm whose ferocious nuttiness enlivens the dread "England" scene no end. Shaven-headed and bespectacled, he looks like the composer Stephen Oliver demonically possessed by the young Bert Brecht.

The only mild textual liberties are the deletion of Hecate and the merciful re-writing of the Porter scene. Anne White breaks the mood, and the mould, as a Glaswegian bag(pipe) lady whose ruined farmer has become a stockbroker who applied for one million BP shares and omitted to stop the cheque.

## Garden concert/Covent Garden

**Andrew Clements**

The "Garden Concerts" which were one of Bernard Haitink's first innovations at the Royal Opera House last season are now set to become an established feature of the repertory. There are four fixed for the current season (two programmes, each repeated), and a five-year plan of orchestral commissions from British composers for the series begins next year, when a new work is promised from Nicholas Maw.

Whether such an initiative will bring the Royal Opera House Orchestra on to a par with its celebrated counterparts in Vienna and Dresden remains to be seen. Monday's concert, conducted by Haitink and to be repeated this evening, offered no convincing evidence. Promoted to the stage and playing in front of a "specially designed acoustic shell" which appears to be covered unpromisingly in red felt, the orchestra sounded only drily efficient in Mozart's Jupiter Symphony, not at all enticingly rich toned. The customised backdrop seemed to do little to project the sound, and a good deal of the house's intrinsic resonance appears to have been sacrificed with its installation.

It was not, in any case, one of Haitink's more positive Mozart performances. The demonic dimension of, for instance, his *Don Giovanni*, was lacking altogether and might have charged the chromaticisms of the slow movement with genuine tension, or energised the polyphonic exuberance of the finale more convincingly. Because of the etiolated sound it could even rely on textural richness; the string *mezza voce* with which the minuet was introduced failed to register altogether, and the result became uncomfortably threadbare.

Even the substantial increase in orchestral forces for Mahler's Fourth Symphony could not bring a bloom to the sound, though Haitink's grip on the structure never faltered. If any work shows how this conductor continues to develop and refine his interpretations, always finding new inflections and insights, it is Mahler 4. The first movement now is a highly complex, almost fraught experience, profoundly ambiguous, shadowed with dark hues, and only superficially bedecked with sleigh-bell jollity. Measured tempi for all four movements, and spacious articulation of the paragraphs of the slow movement, increase the sense of profundity to which the finale can offer only transient relief.

The soprano soloist was Margaret Marshall, and even she could gain little support from the stage layout. Haitink's intentions for orchestral music in the Opera House are admirable ones, but getting the orchestra up to scratch is only part of them; establishing a good sound and convincing balance promises to be far more difficult.

## Hendricks/Elizabeth Hall

**Richard Fairman**

It is not meant with any disrespect to Gerald Moore and the most distinguished of his successors if one notes the extra anticipation before a recital in which the singer is being accompanied by a world-class pianist.

It does not follow, though, that the rewards will come automatically. The partnership of Barbara Hendricks and Dmitri Alexeev is clearly an ongoing concern, but as yet they still seem to be feeling their way in the song repertoire, showing us respect and affection for their music rather than any burning conviction to communicate its meaning.

At first, the musical virtues of their performances pass the time pleasantly enough. The singer's ability to spin a silken vocal line registers with pleasure, as does the considerate balance of Alexeev's support. Yet in this way eight of Brahms's songs and almost all the first half slipped past before one song - the tense, combative "Liebestreu" - suddenly hit home and sent one hurrying back to the programme to look again at its meaning.

It proved to be an isolated moment. In a group of Faure's *melodies* respect and (in particular) affection predominated: "Apres un reve" was drawn out far too lovingly for its own good and Alexeev smothered the introduction to "Clair de lune" with kindness, adding numerous little rallentandos that the composer would have abhorred. It is interesting to see that one of Barbara Hendricks' teachers was Jennie Tourel, for her singing in Faure was much brighter and more lively.

Finally, in Strauss, a balance of successes and failures. Any song, like "Ich schwebe" or "Standchen," that asks to float along was delightful, both for the singing and the nimble accompaniment; but where stronger feelings were required, the singing was too carefully moulded and controlled by half.

## The Sisterhood/New End

**Michael Coveney**

The New End in Hampstead has had a chequered history, all too congruent, I'm afraid, with its former life as a morgue. Once more under new management, it has bravely offered this month a new verse translation by Ranjit Bolt of Moliere's *Les Femmes Savantes*.

The play comes at the end of Moliere's life, just before *La Malade Imaginaire*. The playwright returns to the sustained literary satire of *Les Precieuses Ridicules* but works his spleen into a more coherent and substantial comedy of manners. Henriette is in love with the upstanding Clitandre, whom her sister, Armande, has rejected.

The pleasant double meaning of Mr Bolt's title extends to the school of feminist aspirant intellectuals led by the sisters' mother, Philamante. While Moliere levelled his shotgun at the Academy groupies and grammarian pedants who envisage a college along the lines of Plato's incomplete suggestions in the *Symposium*, this version posits a world of pseuds and charlatans enslaved to the latest intellectual trends in structuralism, deconstructionism, hermeneutics and anthropology.

This is a brilliant and apposite transposition of the play's arguments by Mr Bolt, justly reflecting the life of the mind in contemporary France. But the comedy's richness lies in the justified campaign of the ladies to mess with ideas as a right.

They may swoon over Trissotin's execrable verses, Philamante may treat the outspokenly ungrammatical maid disgracefully. Philamante and her sister-in-law, Belise, who imagines every man to be in love with her, are stupid. But they are looking for something beyond the bourgeois ministrations and fussiness of Chrysale, the head of the family.

Clive Swift plays this latter role with a light touch and a few too many pronounced jowly head-shakes. Janet Henfrey is a schoolmarmish Philaminte who bites on Barthes and chimes with Chomsky. Otherwise, Jonathan Critchley's production is awkward and badly acted. A poet's punch-up is facilitated by Mr Swift donning a beret and false moustache (one Sarah Phillips is ungallantly thanked in the programme for face fuzz); this, and other doubling in a featureless salon of black drapes and abstract patterns, upsets the comic rhythm.

Mr Bolt's conceits are admirable, but his verse is no threat to Tony Harrison. Observation of meter and rhyme is patchy, with too many syllables too often queuing up for an ending or caesura. Still, it is good to have the play, one of Moliere's finest, available in London at all.

# Arts guide

November 13-19

### Theatre

#### LONDON

**Separation** (Hampstead): Powerful sequel to Duet For One by Tom Kempinski using that play as furniture in the transatlantic love story of a crippled actress and overweight agoraphobic playwright. David Suchet and Saskia Reeves give all in Michael Attenborough's production. (722 9301)

**The Rover** (Mermaid). Jeremy Irons roisters into town in the RSC's Swan production by John Barton of Aphra Behn's rollicking comedy. Plays in repertoire with the Chernobyl play, **Sarcophagus**, an urgent but clumsily crafted hospital drama set in a terminal radiation clinic as the first victims of the disaster are wheeled in. (236 5568/638 8891)

**A Man For All Seasons**(Savoy). Charlton Heston begs no favourable comparison with Paul Scofield as Sir Thomas More in a leaden production of a play best left to amateurs and schoolchildren.(836 8888)

**Antony and Cleopatra** (Olivier). Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle-scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. (928 2252)

**The Phantom of the Opera** (Her Majesty's). Spectacular emotionally nourishing new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Dave Willetts has succeeded Michael Crawford as the Phantom (839 2244, CC379 6131/240 7200)

**The Balcony** (Barbican). Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes (628 8795)

**Follies** (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399)

**Melon** (Haymarket). Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings, not vintage Gray. (930 9832)

**Serious Money** (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (836 3028, CC 379 6565)

**A Small Family Business** (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (928 2252)

#### NEW YORK

**Fences** (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221-1211)

**Cats** (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children' poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and over-blown idea of theatricality. (239 6262)

**42nd Street** (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020)

**A Chorus Line** (Shubert). The longest running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200)

**La Cage aux Folles** (Palace). With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages barely to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626)

**I'm Not Rappaport** (Booth). The Tony's best play of 1986 won on the strength of its work-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match, (239 6200)

**Les Miserables** (Broadway): led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200)

**Starlight Express** (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510)

**Me and My Girl** (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor preferably British. (947 0033)

**The Mahabharata** (BAM Majestic): Peter Brook's nine-hour interpretation of the world's longest poem inspired the refurbishment of an old Brooklyn vaudeville theatre to accommodate it for a three-month stay as part of the Brooklyn Academy of Music's New Wave Festival. Ends Jan 3 (947 5850)

**Joe Turner's Come and Gone** (Kreeger/Arena). Tony Award winning playwright August Wilson turns in this play to a rooming house at the turn of the century where black people conjure up spirits that connect them to their heritage. Ends Nov 22. (488 3300)

**All the King's Men** (Arena). Adrian Hall's adaptation of the Robert Penn Warren novel explores the assassination of a demagogue during the Depression. Music by Randy Newman. Ends Nov 22. (488 3300)

#### TOKYO

**Kabuki** (Kabuki-za). The matinee plays are best. Excellent informative English earphone commentary and detailed programme notes. Newcomers may find one play enough but the first-timer's one-act ticket on the fourth floor is not good value. Sightlines are poor and there is no English earphone guide. Instead, purchase a third floor ticket. Kabuki-za, near Ginza (541 3131)

**Starlight Express**. The original London producion in an ideal setting - an 10,000-seater arena. National Stadium Yoyogi, near Harajuku. (359 1166)

#### NETHERLANDS

**The Footsbarn Theatre** on tour with its Macbeth production: Fri, Tilburg, Schouwburg (43 22 20), Sat, Breda, Concordia (13 57 00), Tue, Eindhoven, Schouwburg (11 11 22), Wed, Zwolle, Odeon (21 35 00), Thur, Apeldoorn, Orpheus (21 18 99)

**Amsterdam**, Bellevue Theatre. The English-Speaking Theatre of Amsterdam directed by Bryce Pedersen in a Piter Bouble bill: Landscape and A Kind of Alaska (Tue-Sat). (24 72 48)

**Amsterdam**, Garden Hotel Theatre. Lord Greystoke Productions presents The Woolgatherer, a modern comedy by William Mastrosimone directed by John Hartnett (Wed-Sat) (64 21 21)

**The International Puppet Festival** opens at the Helligeweg Baths in Amsterdam (Helligeweg 19) with water puppetry from Vietnam: The Sea Battle of General Thran, a fairy tale complete iwth fireworks, spitting dragons, and a spectacular naval battle (Thur). (211 211)



## Saleroom/Antony Thorncroft

# Turners take a turn

A small Turner watercolour, less than eight inches by six inches in size, sold for £33,000 at Christie's yesterday to Iida, a Tokyo dealer. The prices was almost double the estimate and was the highlight of an English drawings and watercolours auction which totalled £332,640, with 14 per cent unsold.

The sketch illustrates a passage from Sir Walter Scott's poem "Marmion" and was executed by Turner for his patron Walter Fawkes around 1822 poem. It depicts Norham Castle. Another Turner watercolour "Off the coast: seascape and clouds" went for £9,900, below forecast.

A view of Windsor Castle as seen from Eton by William Daniell, signed and dated 1827, one of a series of twelve, sold for £12,100. Colnaghi, the London dealer, paid £9,900 for a view of the Boulevard des Italiens in Paris around 1820 by Frederick Nash and the same sum secured a William Henry Hunt watercolour of a lady in Jacobean dress reading at a window seat. It sold for 205 guineas at Christie's in 1876.

Christie's also offered decorations and medals, for £192,725 with only 2 per cent bought in. A long service group of medals awarded to Lt-Gen Sir Joseph Thackwell, a 19th century warhorse, who served everywhere from the Peninsula to the Sikh wars, realised £17,600. Sir Joseph was shot in both arms at the Battle of Waterloo but continued to charge the French wuth his reins clenched between his teeth.

A New Zealand Cross presented in 1868 to a Maori constable for bravery during the Maori wars was bougt by the National Army Museum for £17,600. Only 23 such Crosses were issued and only three went to Maoris. Only two Bronze Wolfs were presented, for services to the Girl Guides: one to Lady Baden Powell, the other to her friend Dame Leslie Whateley. She died earlier this year and her Wolf sold at Christie's yesterday, along with her other decorations, for £1,870, way over forecast.

A rare early gaming piece, made of English walrus before 1150, sold for £23,100 at Phillips yesterday to Michael Ward, the New York dealer. The carving probably represents St Martin presenting his cloak to a beggar. The top estimate had been £8,000. It was in a works of art sale.

Stodel, the London dealer, paid £9,900 for an Italian bronze group of the Rape of the Sabines after Giambologna, and a set of French colonial ivory chess men of the 18th century, one side representing the French army, the other Africans, went for £7,480.

Victorian pictures met a mixed reponse with a total of £194,304 but almost 30 per cent unsold. Top price was the £17,600 paid for a scene of cattle and sheep resting by Thomas Cooper, dated 1854. "Sir Roger de Coverley and the beautiful widow", by William Frith, was at the bottom of its estimate at £9,350. It was a Royal Academy exhibit in 1887.

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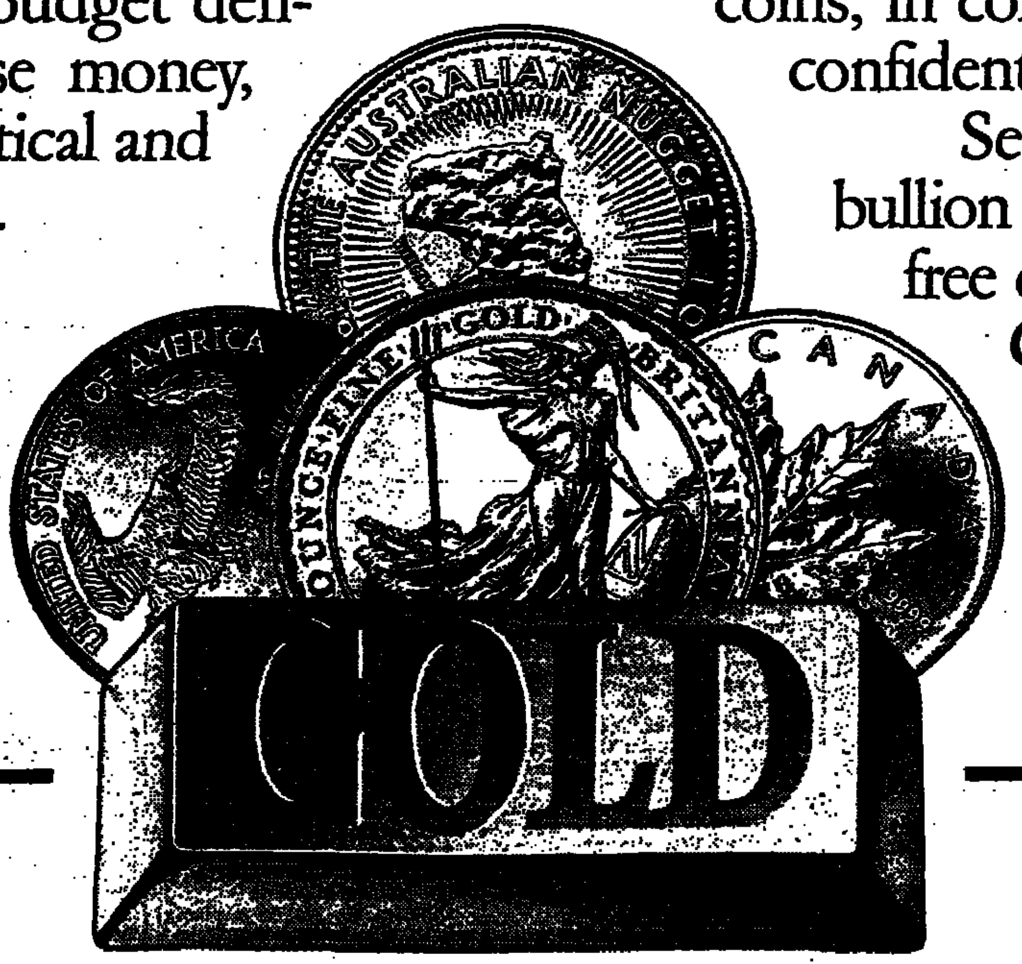


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Wednesday November 18 1987


# Mrs Thatcher and Europe

MRS MARGARET Thatcher sometimes sounds much better on international affairs than on domestic. Her speech at the Lord Mayor's banquet in London on Monday was an example. The dreary details of at times unnecessary and contradictory home legislation were out. The British Prime Minister was speaking of the world at large, and she did it very well.

It can hardly be denied, however,that the outlook at present is a good deal more daunting than ministers are ready to admit. There are problems on almost every front. Moreover, this is one of those occasions on which, for better or for worse, everything seems bound to happen more or less at once.

Within the next few weeks, there should be a meeting of the Group of Seven (the world's major industrial democracies) to try to secure greater exchange rate stability than provided by the Louvre Accord in February. Mr Mikhail Gorbachev, the Soviet leader, is due in Washington to sign an agreement with President Reagan on the elimination of intermediate nuclear forces. And the heads of government of the member states of the European Community are preparing to meet in Copenhagen to seek to resolve the Community's long running financial and agricultural difficulties.

None of this is taking place against an entirely stable background. Mr Reagan is entering his eighth year at the White House and is no longer the teflon man he used to be: his powers to deliver cuts in the US deficits are limited, even if the will is there. Mr Gorbachev has troubles of his own, as the fall of Mr Boris Yeltsin illustrates. The Europeans, for their part, seem still not to have taken fully on board how far they have to go towards speaking with one voice and to present an organised front to the rest of the world.

## Arms control

Those were the subjects that Mrs Thatcher was addressing. She talked sense. She went some way to correct an impression, given perhaps mistakenly by Chancellor Lawson in recent weeks, that only the US has to act to restore currency stability. West Germany and Japan will have to respond by expanding their domestic economies and, for good measure, she threw in newly industrialised countries like South Korea and Taiwan whose home markets could be further opened to competition. She warned several times of the dangers of a retreat into protectionism.

The Prime Minister was equally forthright on arms control. She welcomed the imminent agreement on INF, looked forward to the superpowers negotiating a 50 per reduction in strategic nuclear weapons, but again gave clear notice that she intends to keep the British nuclear deterrent intact.

Two other points are worth noting. One was the assault on the excesses of agricultural policy around the globe. "In Europe," she said, "the subsidy for every cow is greater than the personal income of half the people in the world." Neither the US nor Japan escaped strictures, though the main target is plainly the meeting in Copenhagen next month.

## Foreign policy

The other point was her defence of Mr Gorbachev, for whom she showed considerable sympathy. He is "sure to encounter many obstacles - indeed it is clear he is already doing so. But he is a man of great courage and I believe that he will persist." Those were brave words from a British Prime Minister, especially bearing in mind Mrs Thatcher's earlier reputation as a cold warrior.

The Prime Minister was, of course, speaking of the world that she would like to see rather than of the world as it is. It is by no means certain that all the international meetings of the next few weeks will reach their desired conclusions. Mr Reagan may go on being enfeebled and at odds with Congress. Mr Gorbachev may stumble.

Yet if that happens the European message becomes clearer than ever. It is that Europe must get its own house in order, both on the economy and on defence. That is essential even if the international outlook turns out to be set fair. It is even more so if the prospects are bleak. Mrs Thatcher has given her best foreign policy speech so far. It should be read around the continent.

# Trouble ahead on rates reform

OPPOSITION to reforms that are both practicable and logical can be expected to wane over time. As the arguments in favour of change are digested, hostility and suspicion usually tend to be replaced by assent and support.

Such an evolution of attitudes occurred in respect of the trades union legislation of the early 1980s. Significantly, it is not taking place on rates reform. The planned community charge for individuals and uniform business rate for companies are more strongly opposed today than at any time since the green paper's publication in 1986. The longer people have had to analyse the Thatcher Government's proposals, the more fault they have found with them.

The strong critique of the Government's proposals published yesterday by the Confederation of British Industry is merely the latest of a long line of adverse assessments. Ministers preparing to publish a bill next month are thus in a curious position.

They are proposing to plough ahead with a set of reforms that have been savaged by critics of all political persuasions even though other less-criticised proposals, such as the green paper on transferable tax allowances, were withdrawn. Haggling over how best to introduce the unwanted new taxes has taken the place of much-needed ministerial debate about the substance of the proposals.

## Persuasive points

Why is the Government so keen to press ahead? Ostensibly, because the proposals were "in the manifesto" but this does not make them automatically either popular or desirable. The incompetence of the Opposition has left the Government in a position where it can proceed with an ill-thought-through reform. But should it want to? The search surely ought to be on for a set of reforms that stand a realistic chance of commanding widespread respect in the 1990s.

One of the CBI's most persuasive points is that the thrust of the rates reform is at odds with many of the Government's other declared objectives. Ministers say they want to make local authorities accountable to local people, yet what they are doing is making them accountable to Whitehall.

The uniform business rate is in effect a central tax paid out as a grant that will account for about 30 per cent of local spending. If existing grants are taken into account, no less than three quarters - as against 44 per cent today - of local spending will be centrally controlled.

This degree of centralisation must be unwise. The CBI argues, correctly, that "local authorities will have no incentive at all to provide services to business or to take business's interests into account in planning decisions." The Government should think carefully before it "unhooks" local authorities from local business: the interests of both parties are inextricably linked.

## Deprived areas

It is unreasonable to argue that companies should be accountable to the communities around them and that their tax bills should be influenced by local policies and the level of local services?

As for the poll tax on individuals, the CBI points out that it will lead to a 40 per cent increase in taxation on households in deprived areas and a 34 per cent cut in prosperous areas. In inner London, payments per household are set to more than double. This redistribution of the local tax burden hardly seems consistent with the new drive to regenerate inner cities.

Nor is the determination to make everybody except criminals and the mentally ill pay equally towards the cost of local services consistent either with traditional standards of fairness or with the Government's drive to eliminate a "culture of dependency."

In most areas, ministers are keen to raise tax thresholds in local government they want to lower them so that more people become entangled in the social security net - the poor will have to claim extra means-tested benefits in order to meet poll tax demands.

Neither the poll tax nor the uniform business rate meet even the most basic requirements of good taxation: they will not survive the test of time even if ministerial obstinacy secures their passage in the short run.

# In the eye of the storm...

How the exchanges coped with the crash of 1987. Stephen Fidler reports

Turmoil in the markets: the New York Stock Exchange and its Tokyo counterpart

ON A NORMAL DAY, the US discount broker Charles Schwab expects to receive telephone calls from 70,000 of its 1.1m customers. On October 19, insofar as it can judge, more than a million of them tried to get in touch.

On that day, an extraordinary 604.3m shares were dealt on the floor of the New York Stock Exchange, nearly twice the previous high. (Fifty-eight years earlier, on the day usually regarded as the start of the 1929 crash - October 29 - 16.4m shares changed hands.)

These unprecedented volumes, echoed in record-breaking share trading activity in nearly every major market, put enormous pressure on stock exchanges worldwide.

Most exchanges - Hong Kong must be an exception - view their handling of the crash as a qualified success. For example, the technology of the major markets coped remarkably well. "The needle was way past the red line but the systems held up," said Mr James Davin, managing director in the international equity department of First Boston in New York. This prevented major settlement problems which could have triggered a much feared second wave of liquidation because of fears of default.

Nevertheless, there is a widespread perception that the traders at the hub of the markets could have done better. "You can say it's like awarding style points in a riot but there are important lessons to be learned," said Mr Davin, who is also chairman of the board of the US NASDAQ market.

The main lesson is that the exchanges of the US, and to a lesser extent those of other countries, must come to terms with a vast shift of financial power over the last decade which has left the market intermediaries - the dealers - ill-equipped to cope.

The crash of 1987 was not the bitter fruit of the speculative margin buying that was behind the boom and bust of the late 1920s and 1930s, but partly a consequence of the power that is now wielded by investment institutions - insurance companies, pension funds and mutual funds.

Of all the world's exchanges, the New York Stock Exchange, eclipsed in size now by Tokyo but not in influence, has come in for most attention. "We were planning for a 600m share day in the early 1990s," said Mr Richard Torrenzano of the New York Stock Exchange. "It arrived four years ahead of time." The NYSE had only passed the 300m mark in January of this year and on an average day trades around 180m shares.

Eschewing the new screen-based trading systems used in London and on NASDAQ, where dealers trade over the telephone, the New York exchange is committed to a trading floor and the belief that face-to-face contact makes for better prices.

But something went wrong in the week of October 19: trading was halted for long periods in more than 90 stocks, among them some of the largest publicly traded companies in the world. The volume of sell orders overwhelmed the market makers on the floor of the exchange.

The exchange, led by its chairman Mr John Phelan, handled the crisis diplomacy well. "Phelan didn't use the 'C' word and he didn't use the 'P' word," said one broker, using the market euphemisms for crash and panic.

However, the 52 specialist firms designated to make orderly markets in issues have come in for particular scrutiny.

The specialists notionally see every trade in the issues for which they are responsible. But in normal times the vast majority are pre-arranged by brokers and the specialists' involvement is a formality. It is only when there is no opposite number for a matching trade that a specialist is called upon to use his own capital, making himself the counterparty. This generally happens for 12 to 15 per cent of bargains.

That percentage was much higher in the week of October 19, when the specialists lost an estimated $750m between them. Mr Phelan said later: "One of the reasons for their losses was that they performed so well. They provided more liquidity to the market than they should have." One had to be bailed out: A.B. Tompane & Co, survivor of the 1929 crash, was taken over by Merrill Lynch.

Mr Laszlo Birinyi of Salomon Brothers in New York believes that the specialists' success in doing their job in early October, and particularly on October 16, contributed to the problems. During this period, they had been involuntarily building up inventories in the issues.

"When the market turned against them, we surmise that they sold these long positions and accelerated the decline in two ways: First, their selling provided another downward push and second, having just lost substantial sums of money, we doubt that a 'hero' mentality would have encouraged them to try again," he said.

The anxiety to sell was already seen on the Friday before Black Monday. Then, for example, net selling of only 6,000 shares in Procter & Gamble triggered a 6¼ per cent price decline.

Weakened as they were, the specialist firms, whose historical orientation has been the small shareholder, did not have the capital to cope with the unprecedented flow of orders from the institutions.

Trades in blocks of over 10,000 shares provide a good guide to institutional share trading: this year about half the volume on the NYSE has been accounted for by block trades, double the proportion of 1978.

According to Salomon Brothers, in the first half hour of trading on Black Monday, more than 71 per cent of total activity was in large blocks. "This indiscriminate selling overwhelmed the retail-oriented NYSE specialist," said Mr Birinyi.

If the NYSE had its special problems, then it is in many ways a special case. It was the only exchange in the world to have to cope with the demands of computer-driven programme trading and large scale use of hedging techniques, which also use the futures market. As a result of the wide-ranging study now being undertaken by the Securities and Exchange Commission into the markets, some in the securities industry see future restrictions being imposed on these trading methods.

The NYSE is not the only exchange to have to cope with huge institutional order flow, however. Some 41 per cent of the volume over NASDAQ in the US was accounted for this year by block trading.

The growth of institutional ownership of equities has occurred too in the UK, notwithstanding the Government's efforts to widen share ownership. According to estimates by Phillips and Drew, UK institutions owned 65 per cent of the equity listed on the London stock exchange at the end of 1986, compared with just over 50 per cent 10 years ago.

The evidence from London stock exchange figures gives no clue as to who triggered the first wave of selling on October 19. But it shows that heavy selling by institutions, in the face of good buying by small investors, ensured the market continued to perform badly for the rest of the week and the week after. On the Wednesday, nearly 82 per cent of all bargains were purchases.

Unlike New York, the London and NASDAQ exchanges continued to trade in blue chips through the crisis. But criticisms of both markets have a similar ring. Dealers were said not to be answering telephones, suggesting the market was open only in name and there were questions over the liquidity of many shares, particularly those for smaller companies.

Both saw record volumes. Every day of that week in London almost 1bn domestic and international shares, valued at close to £3bn, changed hands, 50 per cent above normal. Share volume on NASDAQ, which averaged a daily 148.3m shares in September, peaked at 288.1m shares on the Wednesday following Black Monday.

Contrary to suggestions in London that most market makers spent their time passing small parcels of shares among themselves, business with outside customers accounted for 85 to 90 per cent of all transactions in the week of October 19, much in line with normal. In terms of value, customer business accounted for roughly 60 per cent, compared with the more usual 50.

Dealers in London seemed to have struggled bravely to make a market for investors on Black Monday - expanding share inventories by, it is estimated, more than £200m - but, as in New York, they were forced to retreat, bruised, later in the week.

Anecdotal evidence has been suggesting an increasing concentration in recent months of trading in the hands of a small number of dealers, among which those UK firms which had swallowed an old jobbing firm were said to be prominent. That picture was apparently reinforced in late October.

> Most exchanges view their handling of the crash as a qualified success. "The needle was way past the red line but the systems held up."

Stock exchange figures also show that volumes of trading in foreign stocks in London increased during the week of October 19. More than £1bn worth of foreign shares traded over the SEAQ International system on two days that week, more than three times the normal volume. But the figures do not resolve the question of whether London increased market share at the expense of other exchanges, such as those in Europe. Trading activity rose just about everywhere.

For NASDAQ, one problem was that prices fell so fast that bid prices on the screen often exceeded offers. A significant number of dealers also pulled the plug on the links with the exchange's small orders execution service - for which they could be hit for 1,000 shares 20 times a second.

In an attempt to counteract this, NASDAQ is aiming to increase the automation in the system and increase punishment for traders who pull the plug. Absent yourself from the market in future, and you'll be out for 30 days. It also proposes to make participation in its small orders service mandatory for market makers, which now number 540. It has ordered an investigation into, among other things, dealers' capital. The likely consequence of all this will probably be that firms will make markets in fewer issues, but it is presumed with a greater commitment.

The Tokyo market did not perform perfectly either. Many shares failed to trade, most, but not all, because of the rules which limit the maximum daily price movements to 15 per cent. Nevertheless, while there were scary moments and losses for some, the panic of the western markets was largely avoided.

Mr Peter Tasker, of Kleinwort Grieveson Securities in Tokyo echoes the Japanese view: "If the events of October 1987 do nothing else, they spell out the massive strength of the Japanese financial system and its component institutions vis-a-vis their main competitors."

Beyond faith in the Japanese economy, there are some powerful forces in the financial community itself which have lessened the impact of the crash in Japan. For example, about half the shares in the Japanese market are held by other listed companies. Most are long-term stakes in related companies, customers, bankers and suppliers.

There is also the power of the "Big Four" stockbrokers - Nomura, Daiwa, Nikko and Yamaichi - which dominate the securities markets to an extent unknown in New York and London. They handle some three-quarters of stock exchange trades, putting them in a strong position to influence prices.

The Big Four cannot permanently defy gravity. But Mr Han Ong, head of research in Tokyo at broker SG Warburg says "At least for a time they can push water uphill." Behind them stands the Ministry of Finance, with a general interest in promoting stable markets and the need last month to ensure a successful sale of government shares in Nippon Telegraph & Telephone.

The imbalance between the strength of the dealers andinvestors, much less evident in Tokyo, will have to be redressed in the other markets, whether by diktat, through market forces, or by a combination of both.

In London, the trend would seem to be toward increased market concentration, and better capitalisation, de facto. In the US, NYSE officials say there is nothing wrong with the specialist system, but admit that the capitalisation of the specialists and other member firms will have to be examined.

More generally in the US, many securities firms have failed to build up enough capital in five years of rising stock markets to allow them to handle the volatile financial markets of 1987. If perceptions grow that the US securities industry needs to be strengthened to cope with the growing power of institutional investors, how much longer has the Glass-Steagall Act, which separates commercial banks from the securities business, got?

> The power of Japan's 'Big Four' stockbrokers cannot permanently defy gravity. "But at least for a time they can push water up hill"

# Men and Matters

## Paris hoteliers win star wars

The plusher hotels of Paris have won their Star Wars. Prime Minister,Jacques Chirac, has agreed to reduce the rate of value added tax charged on four star establishments from 18.6 per cent to the normal 7 per cent rate charged on downmarket hotels.

The reduction should stop the queue of smart hoteliers lining up in their shabbiest clothes to be downgraded to three stars in order to avoid the higher rate of VAT, which has been one more burden to bear after the fall of the dollar, the wave of Paris bomb attacks, and the introduction of new visa requirements had driven away their customers.

Hoteliers have increasingly turned their backs on the official star classification - which simply brings them higher tax bills - and now prefer to use their own marketing labels such as "prestige" or "traditional".

"I am very pleased at the news," said Gerard Mauger, director of the Concorde hotel group. His company's flagship, the top-of-the-range Crillon, will not benefit from the VAT reduction because it falls into the "four star luxury" class, but the Concorde Lafayette has been downgraded to mere four star in order to benefit from the new rate.

"It is very simple to get your hotel downgraded. You just have to ask," Mauger says.

The irony is that after a year of fighting for a lower VAT rate, the hoteliers have won their battle just as business seems to be improving. Occupancy rates in France's four star hotels had plunged by 17 per cent in 1986, and although the partial recovery in the summer was offset by lower prices, October saw a return to record guest levels and November, too, augurs well.

## Fortune of war

A collection of bearer bond certificates, once worth about $60m, then deemed worthless when they proved unredeemable, are expected to fetch up to $220,000 at Sotheby's next week.

The certificates were originally issued to British and European sympathisers lending cash to the Confederate side in the American Civil War from 1861-64. After the Union won the war, it refused to honour the Southern debts.

Bondholders formed themselves into groups, pooling their resources in efforts to claim some compensation from the US Government.They persisted until the 1880s but were unsuccessful.

For the past 100 years, the collection of 75,000 certificates has lain in store in London, kept in a warehouse which narrowly escaped bombing in the last war and flooding by the Thames.

Sotheby's, which is selling the collection as a single lot on November 24, expects a great deal of interest from collectors. The certificates are almost as fresh as the day they were printed. They are illustrated with scenes of Confederate leaders and soldiers in the thick of battle, or resting by camp-fires at night; with pictures of ships and stocks of cotton bales, Southern buildings and landmarks; and of Lucy Pickens, the archetypal Southern belle.

## Over-exposed

Fortunately for King Juan Carlos of Spain, nobody in the country appears to have noticed his somewhat embarrassing debut as a professional photographer. An enthusiastic hand with the camera, the king was one of 100 international photographers invited to take part in a book project,"A Day In The Life Of Spain," published by Collins of the US and the Spanish company, Planeta.

The book, the sixth in a series, backed by sponsors ranging from the Iberia airline to Apple Computer, and launched with a good deal of fanfare, has just gone on sale in Spain for the equivalent of £24.65. Among the 220 photographs, selected from more than 3,000 rolls of film shot in different parts of Spain on May 7, there is one notable absence.

The king's assignment was to go up in a helicopter in Toledo and photograph another helicopter ferrying a statue. There is a picture showing him doing just that, but no sample of the result. None of his airborne photos was considered good enough to publish. One picture attributed to the king is included, however, portraying the women members of his family.

Curiously, the omission passed without mention in the Spanish media - showing not so much a lack of observation as the persistence of one of modern Spain's last remaining taboos, concerning anything that might be considered even mildly unflattering to the country's restored monarchy.

## Sea change

Stanley Duncan's tour of duty as our man in Valletta, which has just ended, has been marked by a rapid improvement in Anglo-Maltese relations.

Duncan, 60, played a pivotal role in 1986 in reversing Malta's decision to ban Royal Navy units from visiting the George Cross island after British and NATO military bases there were closed in 1979. It was a fitting tribute that his last days in post should be marked by the visit of a Royal Navy squadron.

Duncan arrived in the island in May,1985,to a markedly less friendly situation. A dispute which raged fiercely at the time concerned wartime bombs and wrecks lying on the seabed inside Malta's Grand Harbour. The island's cantankerous former Socialist Premier, Dom Mintoff, had decreed Britain was morally obliged to sweep the harbour safe. Britain refused even to negotiate under duress.

Duncan succeeded in bringing the quarrel to an end and Britain sent a team of Royal Navy divers to do the job.

Duncan, according to colleagues, has shown an unusual ability to work closely with both leaders of the bitterly divided Maltese political parties. He has, for example, on three occasions dined at Dom Mintoff's summer retreat on the island's south coast. The place, normally, is out of bounds both to diplomats and journalists.

## Health hazard

Labour peers are preparing to launch a new assault on what they regard as the excessive profits of the pharmaceutical industry.

Wildly conflicting estimates of the effect on the National Health Service of removing drugs patented between 1967 and 1978 from the licences of right provisions of the 1977 Patents Act - ranging from between £1m and £5m to as much as £250m - have increased suspicions that the high pressure lobbying tactics of the drug companies are about to pay off once again.

But, as with so many issues, an embarrassing split seems likely to develop in the Labour ranks when the Lords get round to debating the relevant provision in the Copyright,Designs and Patents Bill. The Government's proposals for abolishing the licences of right are on broadly the same lines as the Private Member's Bill introduced in the last Parliament by Lord Northfield, the Labour peer, who is an adviser to a pharmaceutical company.

## Moving target

Extracts from motor insurance claims, quoted by Rosemary Burr in Sticky Fingers (Rosters £2.95), a look at the funny side of money: "The guy was all over the road. I had to swerve a number of times before I hit him."

"I had been driving for 40 years when I fell asleep at the wheel and had an accident."

**Observer**

## The Japanese economy

# A homespun safety net

**By Ian Rodger and Stefan Wagstyl in Tokyo**

THIS is the height of the business visiting season in Tokyo - the period of the year in which many leading US and European bankers and industrialists visit their Japanese branch offices and try once again to understand what makes Japan tick.

This year, it seems, they are more bemused than ever. Having left a gloomy atmosphere at home, where stock markets have crashed and economic prospects seem uncertain, they find Japan in the midst of a strong economic recovery and most Japanese economists quietly confident about the outlook.

Industrial production is rising rapidly, inventories are exceptionally low, capital spending is recovering and unemployment appears much less threatening than seemed likely a year ago.

The simple explanation is that the structure of Japan's economy has been changing rapidly, making it much less dependent on exports. For example, a 25 per cent decline in its merchandise exports to the US would shave only one per cent off GNP, a tolerable event in an economy that is growing at an annual rate of about 3.5 per cent.

Meanwhile, Japan's domestic economy is rapidly becoming a self-driven powerhouse. The current strong recovery has developed despite a persistent and accelerating decline in the contribution to the economy from external income in the past year.

"The rate of domestic expansion is so dramatic that it will offset the impact of the US stock market crash," predicts David Gerstenhaber, senior economist in Tokyo of Morgan Stanley, the US securities house.

Moreover, there is no reason to fear an early change in the Japanese Government's policies which have long been loose on the monetary front and where some stimulation on the fiscal side has recently been applied. Spokesmen for the new government of Mr Noboru Takeshita say that they will be more expansive than their predecessors and they certainly have good reason to do everything they can to keep the economy sweet. Japan is facing another severe round of criticism from its allies on the trade front this winter and will want to avoid being attacked for its economic management as well.

This is not to suggest that the outlook for the Japanese economy is entirely rosy. With money supply growth running at an annual rate of 11 per cent, the spectre of inflation is ever present. Also, share and property prices, which have risen to astronomical levels in the past two years, now look vulnerable. Many investors have used borrowed money to buy shares and property at high prices and so any significant declines would be damaging.

Economists are still trying to assess the likely damage to the Japanese economy from the stock market falls so far but the consensus view appears to be quite hopeful. The main source of damage would be via the impact of the market slump on consumer and business confidence, both in Japan and its main export customers, principally the US.

Within Japan, the psychological effect seems minimal to date, not least because the stock market is still some 20 per cent higher than it was at the beginning of this year. Some economists have estimated that Japanese consumer spending might be reduced by about 0.5 per cent next year as a result of the market slump to date - a negligible figure because consumer spending looks set to grow at 8 or 9 per cent.

Meanwhile, business confidence has been building steadily in the past few months. Statements from companies announcing their interim financial results in the past couple of weeks have frequently expressed confidence that the recovery will continue despite the market fall and the latest rise in the yen.

The yen's rise and the likelihood of lower US demand have not stopped Japanese economists remaining very bullish about the outlook for industrial production next year. According to UBS, Philips and Drew, it might grow by about 8 per cent rather than 9 per cent forecast earlier.

The turnaround of Japan's domestic economy last spring was fuelled by the Bank of Japan's long and lonely efforts to stem further rises in the yen by successive interest rate reductions. Easy money conditions finally provoked people into buying houses and companies into capital spending projects.

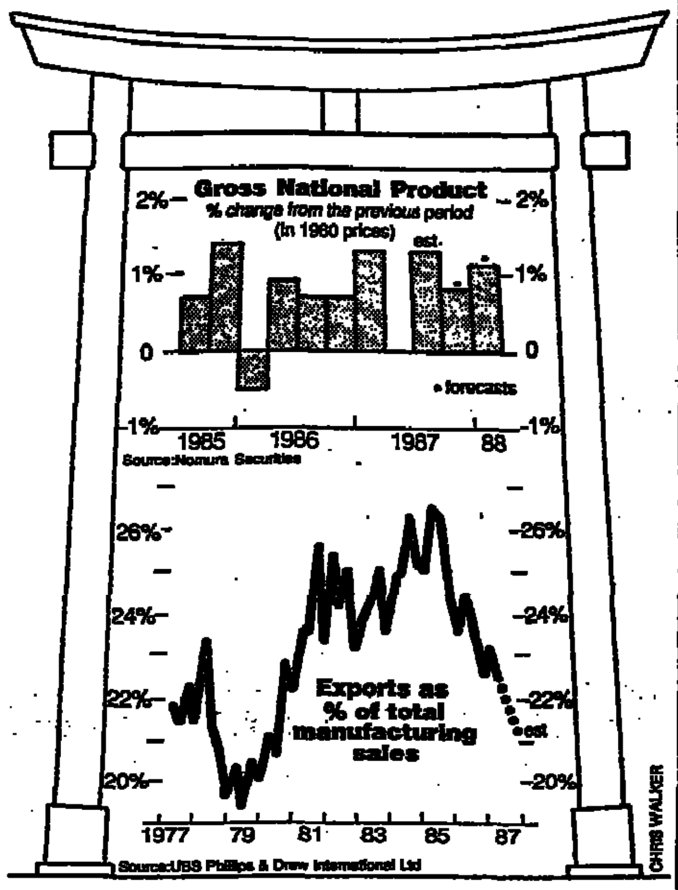
Housing starts were running at an annual rate of 1.8 million in the third quarter, 27 per cent higher than a year earlier, and according to the Bank of Japan they now exceed the US rate. Similarly machinery orders turned up in the second quarter and by August were expanding at a year on year rate of nearly 17 per cent.

A further boost came when the Government, under heavy pressure from the US to stimulate domestic demand, finally eased its austere fiscal stance in mid year. It is pumping an additional Y6,500bn into the economy through a combination of public works projects and tax cuts.

Another factor was the unexpectedly rapid adjustment of the country's leading manufacturers to life with the high yen. This has been accomplished with the help of such strategies as the development of higher value added products, the rationalisation of domestic production and by shifting some manufacturing overseas and buying more components from overseas suppliers. Many companies are now reporting unexpectedly good profits growth as a result.

One surprising effect of the economic recovery has been the decline of unemployment. A year ago, when many industries, under the pressure of the high yen, were closing factories and declaring redundancies, it looked as if unemployment would rise sharply from the 2.8 per cent rate then prevailing. It did rise briefly in the early part of this year to a peak of 3.2 per cent in May, but has since turned down. The ratio of job offers to job seekers, considered by many economists to be a more accurate measure of real employment trends, has risen to 0.71, the highest level since the early 1970s.

The combination of all these stimulants is enabling the economy to continue to grow despite the declining trend of the trade surplus. For the current fiscal year, most economists are forecasting real GNP growth of about 3.5 per cent. The latest forecasts for next year suggest even faster growth. The Industrial Bank of Japan is projecting a GNP rise in fiscal 1988-89 of 3.7 per cent, based on a 4.8 per cent rise in the domestic economy and a continuing negative contribution from exports.




As the strong growth trends show no signs of abating, the question of a fresh round of inflation is beginning to emerge. Already, prices of commodities related to the building trades have surged. Reinforcing bar prices, for example, have doubled in the past six months. It may even be that a slowdown in the US might turn out to be a blessing in disguise, helping prevent the Japanese economy from overheating.

Until the recent turmoil hit the world's stock markets, the Bank of Japan was gently tightening credit conditions because of its concern about inflation and the high rate of money supply growth. However, in the light of the fresh upward pressure on the yen, it quickly eased its stance again and it looks as if it will have little choice but to maintain a loose policy until the downward pressure on the US dollar eases.

Another concern is the impact of possible sharp declines in share and property prices. Until recently, capital spending by industry was depressed and money was flooding into the stock and property markets. However, since the real economy has started to recover and capital spending to pick up, capital flows have begun to shift. In addition, the emergence of Tokyo's astronomical land prices as a political issue has galvanised the Government into taking steps to increase the supply of land in the capital area. It claims that property prices have already peaked and some analysts fear a precipitous fall in the next few months.

That would put pressure on the banks, since a large proportion of their new lending in the past two years has been in support of property purchases or security purchases using property as collateral. According to Bank of Japan figures, the banks' loans going into property have risen by 60 per cent since the end of 1985. However, they still represent only 11 per cent of the banks' combined total loan book.

Of course, Japan's ability to insulate itself from negative world trends should not be overstated. If the US does not sort out its deficit problems, then the yen may continue to rise even beyond the ability to cope of Japan's super-efficient industries. "In that case, there would be no hope," a senior government official said this week.

Similarly, if world stock markets continue to tumble, Japan's will inevitably be dragged down. According to Mr Takashi Kiuchi, senior economist at the Long Term Credit Bank of Japan: "There is now a an interdependence of Japan with the rest of the world and not only in the interaction of trade." But for the visiting industrialist, Japan still looks like a haven of quiet in an uncertain world.

## Britain's transport policy

# Time for roads to take their toll

**By David Starkie**

"THE THEME of all our transport policy is choice for the travellers and investment in infrastructure to make that choice a reality." Thus spoke the Secretary of State for Transport as he set out the British Government's transport policies before the General Election. It is, of course, a manifestation of a broader Conservative philosophy; giving people a greater range of choice whether in education, health care or transport. But, in spite of the rhetoric, within the most important sector of transport - road transport - a crucial element of choice is absent.

Choice is denied because there is no general exclusivity in the use of the roads. Although access to motorways is prohibited for a few minor classes of vehicle (by parliamentary powers granted by the Special Roads Act 1949), generally speaking, the highways are available for common use. On many occasions this is of little consequence. Between towns, the capacity of the road network, and the level of demand for its use, are reasonably balanced. On average, my journey is not much impeded by other road users. But in urban areas it is a different matter. No matter how urgent my journey, no matter how important it is for me to save time, I have to take my place in the traffic queue along with everyone else. The lowest common denominator determines my journey speed. I have no choice.

Economists have long pointed out that this state of affairs, and endemic urban congestion, arises because the social costs of road use exceed private costs. In deciding whether to join the traffic queue, the user of a crowded road takes account only of his own (private) costs - what it costs him in fuel, time taken, and so on. But he does not take into account the fact that his vehicle also slows down other vehicles. Each vehicle is impeded - perhaps to a very small degree - but, summed over all vehicles in the traffic flow, the impedence imposed is much larger and will be proportionally greater the higher the density of the traffic. If we want traffic flows to be at the most beneficial level, we have to make each road user take account of the costs he imposes; we have to "internalise".

In the plural western democracies these arguments have not found acceptance to an extent that schemes have been implemented. In Britain, the economists' advocacy was particularly noticeable in the early 1960s and it had the effect of inducing the government to set up a committee to examine road pricing. However, in spite of several studies, schemes failed to emerge - although at one stage the Greater London Council came close to sanctioning the idea of a supplementary licence for the use of central London streets.

It is not too difficult to understand why the economists' case has failed to produce results. Congestion tolls imposed on existing streets benefit those who place a high value on saving time but disadvantage those who value saving time least; it is the latter who would be tolled off the road to make way for the motorists in a hurry and they naturally object strongly to this Hobson's choice.

Instead the motoring lobbies have argued their case in terms of more, toll-free roads; but in the cities and larger towns their demands have been only partly fulfilled. The reason for this, I would suggest, is that they have failed to prove their case convincingly. There is a general awareness of the high environmental costs of building new roads in urban areas but also a gut feeling that the game is not worth the candle: new roads intended to relieve a crowded network soon become congested themselves. The marginal gain is that more traffic travels at familiarly low speeds.

There is a way to break the nexus. It is to introduce tolls; not the supplementary licence, blanket-form of tolling suggested previously but the selective, exclusive, tolling of new urban roads.

The advantage of tolling new road capacity is that it enables speeds to be maintained at a free flow level (with the level of tolls designed to achieve this). With speeds thus guaranteed, motorists would now be presented with a realistic choice. Either they choose a new road of good performance for their journey and pay extra for doing so, or they continue to use the existing, relatively congested but toll-free road network. But, whichever choice is made, all motorists are now demonstrably better off. Those who have an urgent engagement and place a high value on saving time, are able to by-pass the traffic jam. Equally, those who remain on the slower routes will also gain, albeit marginally, as traffic speeds generally would be a little higher than before. Importantly, tolling enables these gains to be preserved in the longer term and not dissipated as now, by the level of traffic attracted to a new route exceeding its most beneficial level.

There are other major advantages to this approach. The ability of tolls to control access and maintain service quality efficiently allows for serious consideration of new roads of limited dimensions. Indeed, a whole range of specifications become feasible, including narrow roads for light vehicles (including minibuses) and single lane (unidirectional) roads. Such small-scale roads could more easily make use of existing rights-of-way, particularly alongside or over railways which criss-cross most urban areas. Using such rights-of-way would keep severance to a minimum and provide an increased opportunity for British Railways to realise its property assets, thus providing more funds for investment in commuter rail services.

Finally, one can point to the potential of this approach to the urban road problem in meeting the policies of the Conservative Government. In addition to introducing more choice into road transport, there is also the prospect of introducing private capital into what still remains as one of the largest capital investments programmes in the public sector (the forward programme includes schemes costing £5bn).

A noteable step in this direction has been taken with the Dartford Third Crossing. This tolled crossing of the lower Thames estuary is subject to a design, build and operate agreement between the Government and the private sector. But building new tolled highways opens up much greater opportunities for private sector involvement. With tolls generating a cash flow, the prospect of privately financed highways can be entertained seriously.

*David Starkie is a research associate of the Institute for Fiscal Studies.*

## Fashion is a fickle jade

*From Mr J.C.R. Dow*

Sir, Michael Prowse's article about Nicholas Kaldor (November 12) is surely one-sided, unjust and ungenerous.

The review concentrates on Kaldor's interventions on current policy issues, but he has to be judged primarily as a theoretical economist. Michael Prowse's prime charge is that Kaldor - and other Cambridge economists - refused "to compromise or peddle ideas they knew to be fallacious", and as a result "were not able to buck a world-wide trend towards idealised and highly conservative economics". But is it a fault to pass out of fashion? As Michael Prowse says, Kaldor has been proved right about monetarism. Fashion is fickle, and an unsure basis for judgement: monetarism, and the idealisation of market forces, are a fashion now itself in evident retreat.

Kaldor's strengths as a theoretical economist (so it appears to me) were that he was closely attentive to what happens in the real world (which most economic theorists are not); had good insight of an intuitive sort about how the world works; and was constantly inventive in devising explanations. The obverse ot these qualities was that he was not a rigorous expositor, and was thus out of tune with the modern trend towards exact mathematical formulation; and it was perhaps for this reason that he never obtained a Nobel prize. But what he had was perhaps ultimately more valuable than the ability to construct tidy and often unrealistic models. Though not, perhaps, a giant like Keynes, his strengths and weaknesses were rather similar.

Nor were all his ideas on current issues simply silly. It is not, even now, at all clear that membership of the Common Market has stimulated growth in this country: the arguments for membership were, and remain, not primarily economic, but political. Again, it may be true that to put in place an Expenditure Tax would take more time and cost more in administrative upheaval than governments are likely to contemplate. But there remain some good arguments for it; and moves in that direction may yet be made.

One would have to admit that as an economic adviser Kaldor was more implusive than balanced. But even within the official machine there is some room for fervour. The generosity of his instincts was very evident, and generosity of spirit deserves its recognition.

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# Letters to the Editor

## Nicholas Kaldor's 'miracle' tax

*From Mr A.P. Thirlwall*

Sir, In his review of my biography of Nicholas Kaldor, Michael Prowse refers to the 1966 Selective Employment Tax, which Kaldor invented, as a "blind alley", and says that it was very unpopular. It was unpopular among the service trades because they realised they could not pass on the tax in higher prices. But it was an ideal tax in every way - a "miracle" tax, as the press described it. It raised nearly £1bn a year with no loss of consumer surplus (ie, no rise in prices), and productivity in the service sector rose by nearly 10 per cent.

What was unfortunate was that the introduction of the tax coincided with the deflation of demand so that the aim of absorbing the labour released in the service sector into manufacturing industry was defeated. Manufacturing employment peaked in 1966 and has since fallen by 4m. Kaldor was deeply concerned by the demise of manufacturing industry, and rightly so in my view.

Incidentally, the price of the book is not £55, but £35 in hardback and £14.95 in paperback.

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## Property jitters in the City

*From Mr Ian Cundell*

Sir, It was disturbing, if predictable, to read in your paper of the City of London Corporation's view (October 29), that the "London office boom" is nearing its end. All the more disturbing was to see a similar sentiment echoed in your pages the following day, with London being the place to "look for tears" in the property market. These assertions seem to be based on two assumptions. First, that in the wake of the stock market crash, demand from the banking sector for new office space will inevitably fall. Second, in the specific case of the City Corporation, a desire to prevent oversupply with its attendant impact on property companies. This combination of short term jitters and protectionism is misguided, for it fails to understand just how fundamental the changes that have occured in the financial services office market have been. While there is a case for caution, the above reasons are a poor base from which to start.

The new space planning needs of the financial services sector were born of more than a bull market. They stem (as your columns have repeatedly stated) from a major restructuring of the way in which business is being done in the City, changes compounded by advancing technology. There is still a great deal of sorting out to do. Shortly after Big Bang, a report (I think from Coopers & Lybrand) observed that a lot of banks had gone for the "cheap" solution when tooling up with new technology, with the conclusion that many would have to re-tool three or four years down the road. This re-tooling, of course, could easily entail a new building. A more recent report from Savilles found that no less than 71 per cent of companies in the City intended to move within the next five years, a figure which rose to 80 per cent for those firms which had moved since 1985. Clearly there have been a great many "interim" solutions to office needs. These changes to space planning transcend any impacts of stock market volatility. Even though Savilles also found that half the respondents would consider locations outside the Square Mile, there's little doubt that they would prefer to stay.

The case for caution, then, comes not so much from doubts about demand, but more from the fact that with a few notable exceptions, the property market has proved very bad at providing the right kind of offices for the bankers. Determination of proposals would be more usefully based not on some panic led wish to protect the property companies, but on evidence that planning applications are founded on solid research into user requirements. Indeed, it would be a good idea to go back through the 15m sq ft already in the pipeline and apply the same criteria. Then it would be possible to develop policies for the City that are efficient for its major client's needs.

It is particularly unfortunate to see the views associated with Michael Cassidy, who was largely credited with opening up the City office market in the first place. The view may be give more credence than it deserves. Olympia and York are doubtless quite happy to see this line of thought emanating from the City, for it could lead us back to exactly the kind of situation that gave birth to Canary Wharf in the first place.

If the City fathers really are concerned to avoid an excess of unlettable offices they should realise that the type of offices matters as much as the quantity and that simply saying that a more stringent attitude towards proposals is to be taken is not even half of an answer. What is needed is a carefully reasoned response to the office development problem, not a knee jerk reaction that ignores the needs of the City's major tenant group.

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## Culprit for the crash

*From Mr Andrew Wroblewski*

Sir, Mr Paul Craig Roberts' article (November 11) asserting that the current hue and cry over the need to cut the US budget deficit is overdone does deserve further airing but his reasoning that present US fiscal policy is virtually blameless for the recent equity market collapse is certainly more dubious. As Mr Roberts correctly suggests, the US budget deficit (on a comparable basis) is not too dissimilar, as a proportion of national income, to other major economies. However, the problem is not the relative size of the US deficit but its absolute size. Even using OECD data, the estimated combined deficits of Japan and West Germany (again on a comparable basis) are barely a third of that of the USA. This obviously has significant consequences for international flow of funds when placed in context with the fact that the US personal sector is generating internal savings of less than 4 per cent of disposable income. Thus it is not surprising that a huge savings-investment imbalance is the inevitable result. No wonder the US is perceived to be so reliant on foreign funds. Accordingly it is mistaken merely to rely on comparative statics as Mr Roberts' illustration does.

Instead, the focus should be on the fact that too great a cut in the US budget could impair future US growth and act as the factor that tips the world into recession. The market's current "bee in the bonnet" about the US budget deficit owes more to the inability to find a more obvious culprit for the recent market crash. Furthermore, there seems to be no realisation that the numbers bandied about in the ongoing talks between the White House and Congress (including the effect of the mandatory $23bn cuts) are most unrealistic, given that they are based on pre-crash expectations. It would be more reasonable and logical, therefore, for a longer-term outlook to be incorporated. In six months time, a clearer picture of the state of the US economy will have emerged and then and only then can a more optimal set of budget priorities be agreed upon. It is also important to note that whatever is agreed upon, now, lies hostage to the outcome of next Presidential election result. Accordingly let the market be patient and accept the Gramm-Rudman minimum of $23bn in Budget cuts for Fiscal 88.

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FINANCIAL TIMES

Wednesday November 18 1987



Ivo Dawnay reports on the latest twist in Brazil's continuing political saga

# Sarney stars in a new cliffhanger

MORE AND more Brazilian politics resembles one of the country's most successful export products - the TV *novella* or soap opera. Almost daily, the plot reaches a new cliffhanger, yet it never appears to come to a conclusion.

In fact, the seemingly endless alarums and excursions are now edging towards a climax of sorts in the completion of a new constitution. However, there are many who fear that this will merely begin a new episode - the run up to a nine-month long presidential election campaign - and there is still little sign of a happy ending.

Clearly, however, the agonisingly slow constitution drafting process, begun last February, is now near a close.

Throughout the year, the signals from the various committees have been confused. In the first round, eight sectoral groups - each presided over by the Liberal Front (PFL), the right-leaning junior coalition party - seemed to be tilting the country towards a broadly pluralistic, market-orientated system, dominated by the strong executive presidency traditionally favoured in Brazil.

But when this preliminary work came to the 93-member co-ordinating committee, the picture tilted heavily to the left. As President Jose Sarney's Government struggled, with little political support, to fight resurging inflation, the so-called progressive group gained the ascendancy.

In a series of crucial votes, the drafting committee approved clauses establishing a number of radical, some say utopian, rights for workers, including guarantees of a job for life for anyone employed for more than three months.

Sarney: given up the struggle

Last week it sent shivers through the foreign business community by backing the reduction of overseas companies' participation in petrol distribution and oil and mineral exploration to minority shareholdings.

All these decisions, which have rocked the centre-right majority, are likely to be reversed when the full plenary of 559 congressmen meets later this month to draw up a final text.

But last weekend's crucial landmark vote to reduce the president's term of office from six years to four, giving elections next year and the choice of a parliamentary as opposed to presidential form of government, are less obviously reversible.

It is now absolutely clear that the majority of Brazilian politicians want the enfeebled Sarney Government out. "If the President does not want to collaborate with us, then we will change the President," said Senator Jose Richa, a former supporter of Mr Sarney.

How that process will come about is now up to the plenary, which is to start sitting shortly and is due to conclude its work possibly in February. The options are various.

If the Congress approves the draft document on these issues, Brazil will become a parliamentary democracy on March 15. President Sarney will then be obliged to nominate a prime minister who, in turn, must appoint a cabinet, draw up a programme and present it for approval to the Chamber of Deputies.

If the PM-designate fails to win a majority, the process is repeated. A second failure leaves it up to the Chamber to find an acceptable candidate capable of raising a majority. If the Deputies themselves fail, general elections for the whole Congress are called.

As the draft constitution is now written, presidential elections will be called in any case for November and a new president inaugurated next March. He or she must then nominate the prime minister.

So far so good. But if the concept of parliamentarism does not command a majority, Brazil is likely to soldier on until presidential elections in November. The urgency of the deteriorating economic situtation, however, could force earlier elections.

The least likely scenario is that Mr Sarney, who has fought early elections and the parliamentary system all year, will succeed during the plenary in turning round either, or even both, of these decisions. Some of his aides claimed yesterday that he had given up the struggle.

With Brazil's outlook deteriorating daily, a defeat for parliamentarism would fuel rather than diminish the momentum for a presidential vote, the theory goes. If the parliamentarists win, it is still just possible that Mr Sarney could muster support for a further year in office in a reduced role as head of state.

Yesterday, however, with presidential candidates emerging on all sides, this seemed remote.

For those outside Brazil, the outlook is dire whichever way the plot twists. At best, those seeking a political consensus on pressing issues such as the escalating public sector deficit and, not least, rescheduling of the country's $113bn debt, can only expect these to emerge from a new government in March.

At worst - but by no means impossible - Brazil's seemingly endless power struggle could continue throughout 1988, with a new dose of election fever paralysing decision-making for another 15 months against a background of stagflation and mounting social unrest.

# Peres reveals US peace conference 'deal'

BY ANDREW WHITLEY IN JERUSALEM

THE REAGAN Administration is reported to have offered Israel a formal memorandum of understanding, guaranteeing future levels of economic aid, as an inducement to participate in an international peace conference on the Middle East.

Yesterday's disclosure of the proposal by Mr Shimon Peres, the Foreign Minister and Labour Alignment leader, is bound to cause a furore in both Israel and the US.

It came just hours before Mr Yitzhak Shamir, the Likud Prime Minister, was due to leave Israel on an official visit to Washington.

According to Mr Peres, the written assurances to be provided by the US on maintaining the present level of aid to Israel, and on the terms of the proposed conference, would be similar to those given to Israel in September 1975 by former President Gerald Ford and Dr Henry Kissinger, his Secretary of State.

The unpublished 1975 documents - variously described as a secret memorandum, or else as private letters from the two US officials - contained the key promise that the US would not have any dealings with the Palestine Liberation Organisation (PLO) until it recognised the United Nations Security Council Resolution 242, as well as Israel's right to exist.

They also included promises on aid and the supply of advanced weapons.

Speaking to a gathering in Jerusalem of US Jewish lobbyists, the Foreign Minister - fighting to overcome Mr Shamir's committed opposition to an international conference - indicated that the Reagan Administration was now ready to formalise assurances over limitations on the proposed conference.

These would act as safeguards to Israel if the conference took a turn not previously agreed upon.

Israeli Government officials said last night that the memorandum proposal had been under discussion between the US and the Israeli Foreign Ministry for some months.

But its premature disclosure - possibly to pressure Mr Shamir - could prove highly embarrassing to Mr George Shultz, the US Secretary of State.

Mr Peres said that if Israel were to "open the doors" to peace negotiations, the US Government was ready to sign a memorandum of understanding covering the nature and limitations of an international conference, as well as future levels of economic and military aid.

Western diplomats cautioned, however, that, as with other recent financial promises by the Reagan Administration to Israel, they were not necessarily binding on the US Congress.

# Yugoslavia devalues by 25% as workers protest

MORE than 5,000 foundry workers in the southern Yugoslav city of Skopje yesterday won pay rises after taking to the streets to protest against new austerity measures passed by the country's government, **Reuter reports from Belgrade.**

The protests came as Yugoslavia devalued its currency by almost 25 per cent in an effort to boost exports. The move is one of a series of measures aimed at alleviating the country's economic crisis.

Witnesses in Skopje said workers of the city's foundry in Yugoslavia's poorest republic, Macedonia, marched on the regional parliament to voice their discontent over low wages likely to be cut further under the austerity drive.

After an emergency session of the Macedonian government, its head, Gligorije Gogovski, told the workers wages would be raised to the average of foundries throughout Yugoslavia. Officials could not immediately say how much this would be.

Yesterday's major devaluation followed recent price increases of up to 70 per cent introduced by Prime Minister Branko Mikulic in an austerity package which also included curbs on wage rises.

The crisis in the economy, which has slowly deteriorated since the late President Tito's death in 1980, is now causing political strain in the multiracial Balkan state of 23m people.

Trade is flagging and Yugoslavia is laden with $20bn of foreign debt which it is finding it difficult to repay. The annual rate of inflation is racing towards 150 per cent, unemployment is around 13 per cent and bankruptcies are rising.

The average 24.6 per cent domestic devaluation of the dinar, effective from today, followed 30 to 70 per cent rises in the prices of fuel, food, transport and some raw materials, and a freeze at the new levels.

The dinar, fixed regularly by the National Bank, had declined steadily against hard currencies over the past year through a controlled depreciation. This is the first big, single devaluation since 1983.

The emerging austerity package, aimed largely at curbing inflation and impressing Western creditors at talks on a debt restructuring, has opened divisions between the government and Yugoslavia's richest regions, Slovenia and Croatia.

Mr Mikulic pushed several measures through parliament in a stormy weekend session in which many delegates from Slovenia and Croatia voted against him.

He then imposed emergency "intervention measures" on prices and wages, effective until mid-1988.

Yugoslavia suspended interest payments on its debt last June and is seeking a long-term restructuring which would stretch out payments and secure lower rates in line with Latin debtors. Although its overall debt is small relative to major Third World debtors like Brazil, which owes $118bn, the drag on its reserves had put it in a position where it could not meet principal payments.

Bankers want it to agree to an economic adjustment programme monitored by the International Monetary Fund before engaging in serious talks on rescheduling, but it has not been keen to do so.

The Communist Party plans an extraordinary conference on the crisis this winter, but officials spoke this week of disillusion in the ranks and said membership, now around 2m, was falling.

Many commentators date the nation's economic woes to the last years of Tito who sought to create a balance among the mix of races in the Yugoslav state by devolving power on eight republics and provinces and establishing a "socialist self-management" economic system.

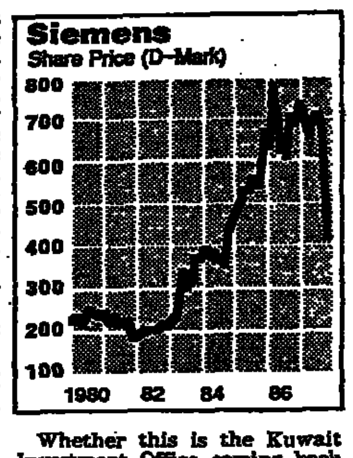
Decentralisation led to a constitutional crisis in Kosovo, a province of the biggest republic, Serbia, where an ethnic Albanian majority wanted its own republic, leading to conflict with a Serb minority and clashes in 1981. Tensions escalated again this year, aggravated by poverty.

Tito's later years saw regional and industrial leaders borrow freely abroad to finance major investments.

## THE LEX COLUMN

# Siemens sounds a warning

The decision of the Siemens board to cut its dividend, for the first time in recent memory, is a solemn reminder that West Germany's leading capital goods manufacturer is particularly exposed to the turbulence of the world economy. But despite the market's initial over-reaction this is emphatically not a Germanic echo of ICI in 1980. The strange way in which UK investors have been led to expect rising dividends even while earnings are tumbling has never caught on in Germany.




The dividend cut also appears more dramatic than it might because of Siemens' shift to a more flexible dividend policy since the last recession. However, the fact that the company, and its bankers, have decided to transfer the almost irrelevant sum of DM 41m to its already bulging reserves, fully aware of the depressant effect of the signal, suggests that Siemens' earnings will fall again in the current year. The company is, after all, a microcosm of the German economy, having become over-dependent on foreign earnings which are now threatened by the falling dollar. Additionally, Siemens may be facing problems of its own making, with some of its huge investment projects showing less than satisfactory returns, and the timing of its recent surge of capital expenditure now looking doubtful.

The bankers on the board must have concluded that it was worth risking another blow to industrial confidence as the price of indicating that lower dividend payments will be expected elsewhere too. The German market seems to have discounted some of this anyway and fell less than three per cent yesterday. Siemens' has underperformed in the crash by about 15 per cent, but shareholders should worry less about the dividend cut than the underlying reasons for it.

## BP

BP's partly-paid shares are becoming more and more tricky to value. For the past couple of days, at least one mystery buyer has been on the prowl in the London market, and yesterday's business in BP new accounted for close on 40 per cent of the entire market's turnover in a fairly busy day. At 85p, the shares no longer depend on the Bank of England's 70p floor, and by late yesterday afternoon were even pulling up the fully-paid BP shares behind them.

Whether this is the Kuwait Investment Office coming back for more is not yet clear. What does seem clear is that the Bank of England is not yet out of the woods. The fully-paid now stands at 257p, which makes the partly-paid worth a basic 47p after deduction of the 210p due in later instalments. That is 23p below the Bank's price, which could perhaps be justified from an institutional viewpoint on grounds of the extra yield. But that depends not only on the market holding at its present level, but on mystery buyers continuing to sustain both the new shares and by implication the old.

## PSBR

Yesterday's PSBR figures for October not only looked good but were, in fact, better than they seemed, given that the Government did not receive the bulk of the BP sale proceeds until November. Barring any accidents, the budget should now be balanced or even in surplus in the current fiscal year, which leaves the Chancellor plenty of scope for 1988/9. It is a little too early for any definite talk of tax cuts, but the hope is certainly there.

Although the news was well received by gilts, which in any case were indulging in the gloating which usually accompanies a weak equity market, there may not be much more good domestic news on the fixed interest front. There is still some funding to do in spite of a possible balanced budget, as at least some of the recent foreign exchange intervention must be sterilised. Any interest rate cuts that come will have to be internationally inspired. Perhaps the most telling restraint is the yield ratio, which, having reached a ridiculous level before the equity crash, is now down to the low of its normal range.

## Eurotunnel

Eurotunnel has narrowly succeeded in creating the most important ingredient in a stock market flotation, the impression of scarcity. The implication of the firm placing with UK institutions is twofold: that the 59m units remaining in the UK will be shared between anything up to 600,000 private investors, producing a ballot in which the chances of success could be 10 to one against; and that institutions already regretting not taking part in the placing will now have to scrabble for stock in a highly illiquid after-market.

Another severe downturn in the market over the next 10 days could turn the situation on its head, but, as time runs out, the temptation for Europhiles could be to try their luck in France. There, a different distribution system hands out the stock on a first come, first served basis, and at yesterday's exchange rate, somewhat more cheaply. The drawback, of course, is the inconvenience of making the journey. If only there were an easier way of crossing the Channel—

## Japanese brokers

The world's financial markets may be collapsing around their ears, but Japan's big brokerage firms remain unperturbed. Nomura Securities, whose stock market capitalisation has shrunk by around $20bn to $45bn mainly as a result of the Crash of '87, yesterday reported a 55 per cent rise in net income to Y233bn ($1.6bn) for the year to end-September, and forecast similar earnings for the current year. Nomura, the biggest and most highly rated of the securities firms, is trading on a multiple of 26 times historic earnings, or less than half the average for the Tokyo market, which implies a certain amount of local scepticism about the sector's future profitability. Nevertheless, the latest earnings underline the competitive strength of the Japanese broking houses. Unlike the big US investment banks, which have been piling on costs, Nomura's expenses rose by a modest 15 per cent last year whilst its equity rose by a third to $6.5bn.

# Goria bids to woo Liberals back to fold

Continued from Page 1

two versions.

The other difficulty to be confronted is the need for agreement between the parties on how to follow up the recent referendum. There is still some distance between Christian Democrat and Socialist positions over how to give ordinary citizens redress for judicial error and whether, and for how long, to impose a moratorium on the construction of nuclear power stations.

The differences can be bridged, assuming that the would-be coalition parties want a fully operational government back in office as soon as possible. The risk is that the crisis may be used as a vehicle for achieving more fundamental ambitions, particularly by the Socialists whose leader, Mr Bettino Craxi, wants to be back in the premiership not now but sometime during the next 18 months to two years.

Meanwhile, many Italian politicians and officials have been irritated by press criticism in Britain about the cancellation of the Cossiga state visit. They say the notion that he could have put the political crisis "on ice" while he left the country for six days fails to comprehend any President's involvement at such a time.

Between Sunday afternoon and yesterday lunchtime, Mr Cossiga had seen three past presidents of the Republic, the presidents of the Senate and the Camera (the two houses of Parliament) and the representatives of at least 14 political groups.

Each opinion has to be weighed before the President makes the crucial nomination

# Britain promises privatisation despite stock market turmoil

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

THE British Government yesterday committed itself to pursuing its programme of privatisation despite the recent turmoil in world stock markets.

Mr Norman Lamont, Financial Secretary to the Treasury and the minister responsible for overseeing Britain's privatisation plans, pledged that the Government would maintain a sales programme worth £5bn ($8.9bn) a year for the next three years.

He added that the Government would make a start before the next election on transferring both water and electricity to the private sector.

Mr Lamont gave the most detailed analysis since the stock market fall of the future of UK privatisation in a speech to the Bow Group, a Conservative research body, in London.

After stressing that privatisation and the drive for wider share ownership would go on, Mr Lamont said future London advisers would be expected to show a continued willingness to put forward new ideas.

There was a need "to attract and retain individual shareholders, to structure issues in ways that maximise proceeds from different investor groups (institutions, overseas investors, small investors), and to deal with the pricing of shares in unique undertakings like water and electricity," he said.

In particular, he noted the use of two variants of the partial tender approach in this year's BAA flotation and British Petroleum share sale. The dual-pricing approach - with small investors offered the shares at a fixed price and institutions being asked to bid for their shares - had "strong attractions."

Mr Lamont also repeated earlier Treasury calls for London to "open its doors to the small investor." He said this would mean finding ways of cutting dealing costs and "to reverse the unwelcome recent rises in minimum commissions - it is not in the best traditions of the City (of London) to choke off extra demand by increasing costs. It also means making it easier for the small investor to buy and sell shares by providing simple and straightforward dealing facilities."

There was no evidence so far that the recent market shake-out would reduce the number of shareholders; he believed the vast majority of newcomers were long-term investors.

But even if there was "something of a contraction in our vastly larger shareholder population," he said, the Government's commitment to wider share ownership would remain.

**Tom Lynch writes:** The Government will make an announcement before Christmas on the privatisation of British Rail's engineering subsidiary, it emerged yesterday. British Rail has not yet put its recommendation to the Department of Transport, but ministers are already considering all the options.

# Brussels allowed to rule on takeovers

Continued from Page 1

**and did not give proper reasons for its decision.**

**The ruling confirms that such acquisitions are governed by Articles 85 and 86 of the Treaty of Rome - the fount of EC law - outlawing anti-competitive agreements and abuses of dominant positions. Between them, Philip Morris and Rothmans have almost a 30 per cent share of EC cigarette sales.**

**Free competition is not automatically distorted if a company buys shares in a major competitor, although it would be if the agreement gives buyer the chance to exert commercial influence or get more control later, said the court. The judgement also says that multinationals' relationships outside the EC cannot be ignored. This is seen by lawyers in Brussels as a possible reference to the merger earlier this year between the telephone interests of CGE of France and ITT of the US.**

**Neither does such an acquisition constitute an automatic abuse of a dominant position, says the judgment. That can only arise when the stake "results in effective control of the other company, or at least in some influence on its commercial policy".**

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | F | 20 | 68 | Dubrovnik | F | 17 | 63 | Malta | R | 20 | 68 | Rhodes | S | 21 | 70 |
| Algiers | S | 20 | 68 | Edinburgh | F | 10 | 50 | Manchester | F | 11 | 52 | Rio de J'o | - | - | - |
| Amsterdam | F | 11 | 52 | Faro | S | 19 | 66 | Manila | - | - | - | Rome | S | 18 | 64 |
| Athens | S | 20 | 68 | Florence | S | 16 | 61 | Melbourne | - | - | - | Salzburg | C | 9 | 48 |
| [illegible] | | | | | | | | | | | | | | | |

# OECD stresses need for stability

Continued from Page 1

ernment to bring forward tax cuts due in 1990.

Against that background, the statement said that major imbalances in the world economy - the US trade deficit and parallel surpluses in Japan and West Germany - were likely to "remain a challenge."

The confidential OECD projections point to some improvement in the US current account deficit in the next two years, but suggest that it will remain at unsustainably high levels. The deficit is forecast to fall from $156bn this year to $134bn in 1988 and to $111bn in 1989.

Mr Sprinkel, who chaired the economic policy committee meeting, insisted that it was not US policy to "talk down the dollar." Other senior officials at the talks added that Mr James Baker, the US Treasury Secretary, had also informed their governments that his remarks in a recent newspaper interview had been misinterpreted.

The apparent reluctance of the US to fix any target for the dollar, however, was reflected in the statement's comment that "it is difficult to decide with confidence the appropriate level of exchange rates." Member countries did agree on the need to ensure that interest rates were set at levels low enough to ensure that there was sufficient liquidity in their financial systems.

The statement, which was drafted by Mr Sprinkel and agreed with his colleagues after several hours of wrangling, emphasised the need for substantial reductions in the US budget deficit. Mr Sprinkel, however, rejected suggestions that the deficit could be the cause of the equity price collapse.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday November 18 1987



# Bear Stearns loses $96m over stock market crash

BY ANATOLE KALETSKY IN NEW YORK

BEAR STEARNS, one of Wall Street's leading brokerage houses, yesterday said it had lost $96m before tax on arbitrage and options business during October's stock market crash, eliminating the entire profits for the second quarter of its fiscal year to October 31.

The company just managed to scrape together a net profit of $413,000, or 0.5 cents a share for the quarter, but at the pre-tax level it suffered a loss of $4.8m.

The results, which were worse than many analysts' expectations, compared with net income of $49.9m, or 59 cents a share, in the company's second quarter last year. Before taxes, Bear Stearns made $92.6m in that quarter.

Bear Stearns shares, which have been among the hardest-hit on Wall Street since the crash, fell $⅝ to $10⅝ shortly after the results announcement.

They have now slumped to less than half their value in early October, when Jardine Strategic Holdings of Hong Kong made an offer of $23 a share for 20 per cent of Bear Stearns' capital. The offer was hastily withdrawn after the crash and Bear Stearns' subsequent disclosure of large losses in its arbitrage and options departments.

However, the results announcement was accompanied by an aggressively optimistic statement from Mr Alan Greenberg, the company's chairman. He said that far from pulling out of businesses or laying off employees the firm had "hired a number of talented professionals in the past month and hoped to hire more."

A positive feature of Bear Stearns' figures was that its net loss for October amounted to only $8.6m, despite the huge deficits in arbitrage trading and the clearing of options.

For most of the past two years, Bear Stearns' net profits have averaged from $10m to $15m a month. Thus, the $96m in identified arbitrage and options losses must have been offset by unusually good results in other parts of the business.

# Petrobras returns to profit

BY ANNE CHARTERS IN SAO PAOLO

PETROBRAS, the Brazilian state petroleum monopoly, reported Cz15.7bn ($266m) profits for the third quarter, partially reversing a total loss of Cz33.3bn for the previous two quarters.

The improvement stems from a drop in inflation for the three months. This cut the company's losses from crude oil imports which were bought at official exchange rates and reimbursed at a lower government-set "petroleum dollar" exchange rate, fixed since the middle of the year at Cz44.

However, with inflation returning to double digits in October, prospects for continued improvement in this account - now at a deficit of Cz11.4bn - are bleak, as surging inflation increases the gap between the two exchange rates.

The country continues to import 40 per cent of its petroleum requirements.

Government controlled prices for petroleum derivatives also rose. The company projects that increases of 3 to 5 per cent above inflation for the remainder of the year are necessary to recover earlier losses this year.

Pricing for derivatives still lags well behind inflation. From March 1985 till September 1987 Petrobras was allowed to increase prices by 603.1 per cent, compared to accumulated inflation of 1,363.5 per cent.

Gross sales for the quarter totalled Cz366.9bn, with investment in exploration and production reaching Cz66.3bn.

Other state companies, including Electrobras, the electricity monopoly, continue to owe Petrobras an amount equivalent to half the company's investments for the period.

# CNW accepts $578m takeover offer

BY DEBORAH HARGREAVES IN CHICAGO

CNW, the Chicago-based parent company of Chicago and Northwestern Railway, agreed yesterday to accept an increased takeover offer of $31 a share from an investment group led by Gibbons, Green, Van Amerongen, the banking firm.

*The offer was raised by $1 a share, to a total value of $578m, from the Gibbons group's initial bid for the company two weeks ago.*

The new offer, which is made up of partly cash and subordinated notes, will be voted on by shareholders at CNW's annual meeting in February. But the company has agreed to pay the investment banker $10m if the vote goes against it.

A management team led by Mr James Woolfe, CNW's chairman, which had been invited by Gibbons to participate in the deal, will end up with a 7.2 per cent stake in the company for its $7.5m investment.

The company's current management still owns a 5.7 per cent interest in CNW, following its previous sale to employees in 1972. Retired employees hold a further 20 to 25 per cent of common stock.

The takeover will give Gibbons a 57.5 per cent stake, with the rest remaining in the public domain. CNW's stock price has fluctuated wildly in recent months since analysts declared it grossly undervalued.

# Heavy deposit outflow for FCA

By Roderick Oram in New York

FINANCIAL CORPORATION of America, the deeply troubled California financial services group, has reported a heavy outflow of deposits by institutions from its main operating subsidiary, American Savings and Loan Association.

Deposits at the company, the largest savings and loan institution in the US, fell by $477m, or 20 per cent, in the third quarter, to $2bn. "This decrease is mainly due to institutional depositors reacting to recent publicity regarding the company," FCA said in a filing with the Securities and Exchange Commission.

Retail depositors who, unlike the institutions, are insured by government agencies, increased their deposits in the quarter by $62m, leaving total deposits at $16.87bn.

*If the outflow of funds continued,* FCA might have more difficulty meeting federal liquidity requirements. If interest rates began to rise again, it would have to increase its collateral for the $12.8bn of borrowings it has from the Federal Home Loan Mortgage Corporation, a government agency, and Wall Street.

In October, it reduced its interest hedges, which will sharply increase its risk of losses if interest rates rise. Its one-year negative gap, which measures the excess of liabilities over assets in the next year as a percentage of total assets, rose to 36.4 per cent at the end of last month, from *25.2 per cent a month earlier.*

FCA also told the SEC that the recent collapse in its stock price had forced it to scrap an agreement to settle shareholder lawsuits by issuing $32m of new shares. It was trying to renegotiate the settlement. Yesterday FCA was trading down $¼, at $2¼.

Ford Motor, which has a large savings and loan business, and Citicorp have both shown interest in acquiring some or all of American Savings. They both want assistance, however, from the Federal Savings and Loan Insurance Corp.

# Silicon Valley groups cut back after mergers

BY LOUISE KEHOE IN SAN FRANCISCO

TWO SILICON Valley semiconductor manufacturers have announced consolidations and layoffs, following recent mergers.

Advanced Micro Devices (AMD) said it will reduce research and development staff by about 500 in January, while National Semiconductor said it will also lay off 500 in the next few weeks.

National Semiconductor is eliminating duplicate positions created by the acquisition last month of Fairchild Semiconductor. At AMD, which acquired Monolithic Memories three months ago, the layoffs reflect a shift in direction for the combined company towards programmable logic chips and away from standard memory chip devices.

The National layoffs bring to 900 the number of people made redundant since the company acquired Fairchild. According to the company, the layoffs will affect plants worldwide and at "every level," with most of those affected being management and administrative staff.

National has made several moves to consolidate the operations of both companies into product groups and has also sold Fairchild's former microprocessor division for a reported $10m to Intergraph, a US computer workstation manufacturer.

AMD, announcing its layoffs, said it aims to reduce R&D costs by about $10m a quarter, from their current level of over 25 per cent of sales to about 20 per cent of sales.

The company aims to eliminate research on some types of standard memory products, including static random access memories, a widely used form of data storage chip, and in semiconductor technologies used to manufacture the discontinued products. AMD has not been active in the market for the more widely known dynamic random access memories for several years.

AMD will not, however, get out of the memory chip business altogether, said Mr W.J. Sanders, the chairman. Under a long-standing agreement with Sony of Japan, AMD will continue to develop specialised memory chips, he said.

AMD also remains committed to the electrically programmable read only memory (EPROM) business, "in spite of its fiercely competitive nature," Mr Sanders said. "EPROM circuits are important as a manufacturing technology driver, and we believe AMD can continue to make an important contribution in this product line."

Mr Sanders said, however, that programmable logic device products, which were pioneered by Monolithic Memories, will become AMD's process technology drivers. "The very real benefits of consolidating our development activities, made possible by our merger with Monolithic Memories, will be realised as a result of these actions," he said.

# Motorola to re-enter market for Dram micro-chips

BY OUR SAN FRANCISCO CORRESPONDENT

**MOTOROLA, the second largest US semiconductor producer, is to resume manufacturing of dynamic random access memory (Dram) chips after two years of absence from the multi-billion dollar market.**

**Its decision comes at a time when US electronics and computer companies are complaining about shortages of certain types of Drams, and when Japanese semiconductor makers are increasing Dram production in response to directives from the Japanese Ministry of International Trade and Industry.**

**Motorola said it would begin manufacturing Drams in the US and Europe next year. Motorola will use Dram design and process technology it obtained from Toshiba earlier this year in a technology exchange agreement.**

**Motorola swapped its microprocessor technology for the Japanese company's memory chip technology. Motorola decided to manufacture Drams again because "the market dynamics have improved so much".**

**Dram prices have risen by about 25 per cent in the past year since the signing of the US Japanese semiconductor trade agreement, under which US prices of Japanese-made Drams are regulated by the US Commerce Department.**

**Most of the major US semiconductor manufacturers quit the Dram market two or three years ago in the face of intense price competition from Japan.**

**At the time, US chip makers accused the Japanese of dumping Drams in the US below cost. Dumping suits, filed by both US chipmakers and the US Government, led to the semiconductor trade pact between the US and Japan last September.**

**"The efforts of the US and Japan to iron out trade difficulties have resulted in stabilising the market to the point that we think we can compete," a Motorola official said, linking the company's decision directly to the trade agreement.**

**Motorola is the only major US chipmaker to re-enter the Dram market. The company joins Texas Instruments, a major Dram manufacturer, and Micron Technology, a smaller supplier, as the only US Dram makers**

# GM takes 40% stake in engine venture

By Our New York Staff

GENERAL MOTORS, the world's largest car and truck maker, is transfering its heavy-duty diesel engine business to a new joint venture with Penske Corporation, a privately held company specialising in truck leasing and car distribution. The venture will be controlled by Penske, which will hold a 60 per cent stake. GM will hold 40 per cent.

*For GM the move looks like an* embarrassing admission that it is unable to operate successfully in any segment of the overcrowded US market for heavy-duty automotive, construction and industrial equipment and power plants.

The transfer to Penske follows a failed attempt last year to form a 50-50 joint venture with Deere & Co, the leading US farm equipment manufacturer. In another recent retreat from a related business, GM turned over all its heavy-duty truck manufacturing to a joint venture controlled by Volvo of Sweden.

The Penske-GM venture, to be called Detroit Diesel Corporation, will include all of GM's heavy-duty diesel activities, currently grouped in the Detroit Diesel Allison (DDA) division. These engines are used in heavy trucks, highway construction equipment, power generation and for marine applications

GM will retain the DDA facilities which manufacture light and medium-duty diesel engines of 6.2 and 8.2 litres capacity. These are used mainly in pickup trucks and small delivery vehicles. However, the sales and service functions for medium diesels will also be transferred to the new joint venture, suggesting that GM's commitment to manufacturing these units may also be limited.

GM's first attempt to pull out of the heavy-duty diesel business foundered in March this year when talks with Deere about a joint venture collapsed. Unlike the Penske deal, the Deere venture was supposed to include 8.2 litre engines, as well as bigger units.

## Clare Pearson on the fate of convertibles since the crash

# Sterling issues pull ahead

"I HAVE been in the convertible market since 1972 and, as far as the US sector is concerned, I have never seen bonds so cheap relative to both the equity and the debt markets," Mr Alan Goodhill, head of convertible trading at Morgan Stanley, said yesterday.

Mr Goodhill's view is typical of many Eurobond salesmen who are now proclaiming that price falls since the stock market crash a month ago have produced a wide array of anomalously cheap bonds.

Mr William Gridley, head of equity-linked sales and trading at Credit Suisse First Boston, said: "Many convertibles are now bearing yields which are almost competitive with those of straight fixed-rate bonds."

However, the salesmen are forecasting that - assuming strong bond markets, and cautious but stable equity markets - convertibles should soon be coming back into vogue.

Ms Sarah Allen, a manager of international research at Cresvale, which specialises in equity-linked bonds, said: "I see the market going back to basics, with investors looking closely at relative yields, the credit-worthiness of the issuer, and the running yield on the bonds compared with the dividends on the underlying stocks."

However, there has been little sign of any recovery in interest so far, amid considerable uncertainty about the direction of both the debt and equity markets. But it appears that some investors are starting to buy convertibles denominated in their own home currency.

Clearly not all convertibles will benefit from any strenthening of interest in the market. Some of the issuers which were able to launch Euroconvertibles when speculative buying was rampant are unlikely to be able to return, while the prices of their outstanding bonds are unlikely to recover unless the underlying shares stage a dramatic rally.

The most notable price falls have been among bonds issued by Australian borrowers, many of which have geared up on the back of their holdings of other companies' shares. Bonds for Mr Robert Holmes a Court's Bell Group and Bell Resources have led the falls in this sector.

For instance, a 5¼ per cent bond, due 1996, for Bell Resources which was trading just before the crash at 130 was trading yesterday at 64. At one stage it was as low as 40, giving a yield to its put date (the date at which investors could sell the bond back to the issuer) of about 35 per cent. At these levels, the market was clearly questioning the ability of the borrower to meet its debt repayments.

At the other end of the spectrum are the clutch of bonds for UK companies, many of which were launched early this year. These have suffered the least, in the face of the strength of sterling and the solid credit quality of the bulk of the borrowers.

Investors have been able to feel comfortable that, even if the equity market was entering a prolonged bear phase, the bonds would maintain their inherent value. The sector has also been helped by the prevalence of bonds with put options, usually after five years.

Cresvale's figures show that the prices of outstanding sterling convertibles for UK companies have fallen by 11.65 per cent on average over the last month - less than half the fall in the underlying equities. Ms Allen suggested that those bonds with put options have probably fallen by only about 7 or 8 per cent.

But even in this resilient sector, Mr Gridley of Credit Suisse First Boston points out, it is possible to find bonds with yields in line with those in the straight market. Sterling convertibles for two UK companies, Dee Corporation and Hillsdown Holdings, for instance, now bear yields to the put date of more than 10 per cent. This compared yesterday with a 10 per cent yield on a straight fixed-rate bond for British Airways.

Cresvale figures show that US convertibles have underperformed UK convertibles, falling by 13½ per cent on average against a 21 per cent fall in the underlying shares.

This reflects a flight from dollar-denominated securities, combined with the fact that many of the US convertibles have been for lesser-quality credits over the last few years, while blue chip US companies have mostly been financing themselves at home.

Some bonds for lesser-quality US companies have been performing as badly as parts of the Australasian sector, Mr Gridley says. For instance, a bond (without a put option) for LSI Logic, the US semiconductor maker, has fallen to around 60 to give a yield to maturity of 12.30 per cent.

Mr Goodhill of Morgan Stanley says that many of the better quality US credits have fallen sharply too. He cites a 15-year bond for MCA, the single-A rated film maker, now trading at 74 to yield 8.70 per cent to maturity, on a conversion premium of 30 per cent.

This means that the investor is giving up, for the equity play, only about 1½ per cent in yield compared with the likely yield on a 10-year straight fixed-rate bond for the company.

One of the biggest losers from the stock market crash has been the Japanese sector. According to Cresvale, Japanese convertibles have fallen by 9 per cent over the last month - almost as much as the 13½ per cent fall in the underlying shares.

Japanese bonds have performed badly because they bear very low coupons and so have tended to trade virtually in line with the underlying shares, providing the investor with little capital protection.

For instance, a DM200m 10-year bond for Minolta Camera launched in September which carried a zero coupon, was trading yesterday at around 82 to give a yield to put in 1992 of 5.73 per cent. By comparison, a fixed-rate seven-year bond for BFCE was yielding around 6.15

**UK AND AUSTRALIAN CONVERTIBLES**

| AUSTRALIAN CONVERTIBLES | 15th Oct | | 17th Nov | | % change | |
|---|---|---|---|---|---|---|
| ISSUE | PRICE | PREMIUM (%) | PRICE | PREMIUM (%) | BOND | STOCK |
| Bell Res 5¼ 96* | 129.75 | -4 | 64 | 33 | -50 | -63 |
| Bond Int'l 5¾ 97* | 100 | 13 | 68 | 15 | -32 | -31 |

| UK STERLING CONVERTIBLES | 15th Oct | | 17th Nov | | % change | |
|---|---|---|---|---|---|---|
| ISSUE | BOND PRICE | PREMIUM (%) | BOND PRICE | PREMIUM (%) | BOND | STOCK |
| W.H. Smith | 124 | 0.09 | 100 | 12.9 | -19 | -28 |
| Blue Circle | 115.25 | 3.89 | 93 | 14.3 | -19 | -27 |
| Asda* | 118 | -1.27 | 107.5 | 9.6 | -9 | -18 |
| Tesco* | 115.25 | 7.81 | 107 | 18.6 | -7 | -16 |

*With put option

# UK assets counted in US buyout deal

BY CLAY HARRIS

UK ASSETS have been taken into account in the refinancing of a US leveraged buyout, one of the first occasions that US banks have accepted assets outside North America as part of their borrowing base, Security Pacific EuroFinance, the London-based venture capital subsidiary of the Californian bank, said yesterday.

Elliott Acquisitions, which bought turbine, turbocharger and compressor activities from United Technologies, the US conglomerate, for $55.8m in May, has been recapitalised at about $80m through credit lines, equity and debt.

Only about 10 per cent of the new $40m credit line extended by SecPac and First Chicago related to the assets of Oltonbray, Elliott's UK-based repair and spare parts distribution centre for Europe, Africa and the Middle East.

SecPac, however, described the development as significant because US lenders have normally ignored foreign assets, since they did not know local markets well enough to secure themselves on the assets.

Mr John Beauchamp, assistant vice-president, said: "From our vantage point in London, we were able to use our ability to manage asset risk to come up with the level of debt the company was looking for."

# Mexican authorities pull out of lifeboat

By David Gardner in Mexico City

MEXICO'S financial authorities have pulled out of the "lifeboat" scheme proposed last week to help small brokerage houses hit by the stock market crash.

News of the setback to the rescue scheme helped to drive markets sharply downwards on Monday, when the 49-stock Mexico City bourse index dropped by 18.3 per cent - a fall even sharper than the 16.5 per cent drop it suffered on October 19 - Black Monday. In early trading yesterday, the index fell further to around 104,752.

It is now down by some 73 per cent from the high of 387,000 reached when trading was suspended at midday on October 5, amid a wave of investor euphoria after Mr Carlos Salinas de Gortari, the Planning Minister, was named to succeed President Miguel de la Madrid, thus ensuring the basic continuity of structural economic reforms.

It had become clear over the weekend that Nacional Financiera (Nafinsa), the state development bank, had withdrawn from a complex scheme to join leading brokerage houses to provide credit lines for investment in stocks held by mutual funds.

The original plan envisaged that Nafinsa would put up 500bn pesos, to be matched by Mexico's six largest stockbrokers, injecting total new liquidity of 1,000bn pesos ($600m) into the market.

The plan appears to have fallen through because the authorities wanted to make the brokerage firms retain the newly purchased stocks for long, fixed periods. Leading brokers are still in talks to decide whether to launch a smaller lifeboat on their own account.

The Mexico City's boom-to-bust cycle has stood out even in the recent international market turmoil. In the nine months to the end of September the index rose 329 per cent in dollar terms, shooting up in the third quarter more than any other bourse for the year as a whole. Since Black Monday, $25bn has been wiped off share values.

Mr Jesus Silva Herzog, the charismatic former Finance Minister who resigned over foreign debt policy in mid-1986, told the FT that the lifeboat operation was "an error of management and judgment."

"You don't announce (a rescue plan) unless you've got the details finalised, or you don't announce it at all," he said in an interview. It was, furthermore, "a serious error in itself" to "use public funds to subsidise the rich."

A leading broker remarked that "the worst possible thing that can happen in a market is to announce a rescue and then not have one."

He does not, however, rule out the possibility that Nafinsa will take positions in the market without making ananouncement. The development bank has traditionally served as an informal regulator of market prices through its substantial share portfolio.

Whatever the authorities were to spend in the market would almost certainly be cheaper than drawing on the country's currency reserves to intervene in the foreign exchange markets, where demand for dollars - the traditionally favoured investment instrument here - is reported to be rising sharply.

# Health benefit plan could hit shares

STOCK PRICES could fall if the Financial Accounting Standards Board goes ahead with plans to require US corporations to show accruing liabilities for retirement health benefits on their balance sheets, AP-DJ reports from New York.

According to a study by the Employee Benefit Research Institute, a non-profit research organisation based in Washington, DC, the annual cost to companies of providing health benefits to retired employees could be two to eight times current expenditures if the plan is adopted. For the median Fortune 500 company, this could involve a 30 per cent to 60 per cent reduction in net income, the institute has calculated.

The Financial Accounting Standards Board said an "exposure draft," or a notice of proposed rule-making, is scheduled to be released in the first quarter of 1988.

The institute said an increasing number of companies have been using special incentives for early retirement as a way of reducing their labour forces.

# Toyota Motor launches three-year straight

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

TOYOTA MOTOR Credit yesterday braved the Eurodollar bond market with the first straight issue for a corporate borrower since last month's stock market crash.

Its $200m three-year issue, led by Morgan Stanley, met a solid reception and was quickly quoted at discounts less than its 1⅞ per cent fees. "It's a nice change to see that they will take a corporate and that you're not stuck with sovereign issues," said the syndication manager at a rival house.

The Toyota issue was priced at 101.175 with a coupon of 9 per cent to give a margin of 90 basis points above US Treasury bonds at launch, net of fees. It was being swapped. Morgan Stanley said it had been seeing growing demand for dollar paper, mainly from dollar-based investors but including some from elsewhere.

Since the crash, only a few sovereign or quasi-sovereign issuers have tapped the dollar market. Their issues have been carefully priced and have gone well. The spread of Eurodollar bond yields widened out in immediate response to the crash, but it has since narrowed, although actual trading volume has remained limited. Trading remained very quiet and listless yesterday as the markets continued to await the outcome of the US budget talks.

The Eurosterling market was a bright spot, opening firmer and gaining further on UK public borrowing figures. The £250m 10-year **Barclays** issue launched successfully last Friday has moved well within its 2 per cent fees to be bid about 1¾ points below its offer price.

**INTERNATIONAL BONDS**

In France, **Banque Francaise de Commerce Exterieur**, the French foreign trade bank, made a FFr1bn issue with France's guarantee. It was divided into two tranches with 11½ per cent coupons, and with maturity dates 1½ months apart in 1992.

The FFr900m tranche, with a coupon payable annually, is priced at 105.8 and the FFr100m tranche, with a slightly longer maturity and a coupon payable quarterly, is priced at 107.32. BFCE led the deal itself, with Morgan et Cie as co-lead manager. It said special investor interest was identified for the structure. The issue was fully pre-placed and was not expected to trade actively.

**Oesterreichische Kontrollbank**, which borrows with Austria's guarantee, tapped the Swiss franc market for a SFr200m 10-year issue with a 5 per cent coupon, priced at 100⅝ by Swiss Bank Corporation. It was bid in the grey market at about 1½ points below offer price.

Swiss bonds were active and slightly easier. **Nokia's** SFr100m 5⅛ per cent issue ended its first day's trading at 99¾, half a point below issue price. The SFr100m issue by the Austrian province of **Styria** ended its first day's business at its 100½ issue price.

In West Germany, the domestic market gained ½ point on the weaker dollar and shortcovering. The Euro-D-Mark market was also firmer, with some supranational issues gaining 40 basis points and shorter maturities up 20 basis points. The market was somewhat more active after a sleepy start to the week.

# CFTC defends futures trading

BY DEBORAH HARGREAVES IN CHICAGO

IN A preliminary report on futures and stock market activity during the October crash, the US Commodity Futures Trading Commission (CFTC) has spoken out in defence of stock index futures trading.

Mr Kalo Hineman, acting chairman of the regulatory body, said his preliminary data indicate that futures-related trading did not account for the major part of volume on the New York Stock Exchange on October 19 and the following few days.

The 120-page report points to the time lag in trading and price reporting for some NYSE stocks in the week of October 19. This made the more up-to-date futures price "appear to be greatly underpriced," causing the accusation that futures trading led the decline in the cash market as program traders sold stocks and bought futures.

However, the report says the outdated prices in the New York market made it impossible to execute the stock side of this sort of index arbitrage.

Furthermore, the CFTC says market conditions existing in the period October 19-23 impeded arbitrage operations. If particular stocks in an index were halted, they could not be included in such a program trade.

Large broker/dealers surveyed by the CFTC show they were buying substantial amounts of futures contracts from October 19. But their corresponding activity in the stock market appears small in relation to total NYSE trading on those days, the report notes.

In fact, in an examination of data from these firms, the CFTC estimates that index arbitrage sell programs represented only about 9 per cent of the shares traded on the NYSE on October 19.

## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 17

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Abbey National 7½ 92 | 200 | 92⅛ | 93⅛ | 0 | +0⅛ | 9.60 |
| All Nippon Air 9⅞ 97 | 100 | 93⅞ | 94⅞ | 0 | +0¼ | 10.39 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Belgium 4⅝ 94 | 45 | 94⅛ | 95⅛ | +0⅛ | -0⅛ | 5.53 |
| E.I.B. 4⅝ 94 | 40 | 95⅞ | 96⅛ | +1 | -0⅛ | 5.39 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

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# Siemens cuts payout as profits fall

BY HAIG SIMONIAN IN FRANKFURT

SIEMENS, the West German electronics group, is cutting its dividend by DM1 to DM11 per share following a 12 per cent fall in after-tax earnings to DM1.3bn ($764.7m) for the year ended September 1987.

Siemens shares fell DM17.50 to DM391 in Frankfurt yesterday as dealers digested the disappointing news.

The fall in profits was not unexpected. In late July the company announced nine months' net earnings which were 4 per cent down at DM949m.

Trading circumstances have clearly worsened considerably since then, not least because of the effect of the higher value of the Deutschemark on exports, and an increasingly difficult market for nuclear power stations.

Moreover, the decision by Siemens, one of Germany's leading blue-chip companies, whose shares are widely traded abroad, to cut its dividend is a marked blow to confidence at a time when the German equity market is still rather fragile. The Commerzbank equity index fell yesterday by 48.3 to 1,356.2 as shares retreated almost across the board.

Explaining the decision to reduce the dividend, Siemens said that it has for some years been following a policy of linking its dividend more closely to its profits. Thus, the 8 per cent dividend cut was "reasonable" against the appreciably larger fall in profits, it argued.

Siemens' group turnover rose by 10 per cent to DM51.5bn in 1986-87. Domestic sales, which rose by 14 per cent, were boosted by inclusion of work on the Brokdorf nuclear power station - without it, home sales would have gone up by only 3 per cent. Foreign sales rose by 6 per cent to DM26.3bn.

Order levels in the 1986-87 business year of DM50bn were little changed on the year before, the company said. Domestic orders were 2 per cent down at DM23.9bn, while orders from abroad increased by 2 per cent to DM26.5bn.

Contrary to the widespread rumours earlier this year, Siemens said its medical equipment division had been trading profitably. However, it admitted there had been losses on electronic components, where it has invested heavily in sophisticated new microchip production facilities to take on US and Japanese producers.

Karlheinz Kaske: dividend cut "reasonable"

# Ariadne to make A$120m rights issue

BY CHRIS SHERWELL IN SYDNEY

ARIADNE, the Australian arm of the business empire headed by Mr Bruce Judge, is to make a A$120m (US$82.4m) rights issue and will appoint a chief executive to help the Queensland-based entrepreneur.

The moves, announced at the company's annual meeting in Brisbane yesterday, are the latest of several pointers to the financial troubles now besieging Mr Judge in the wake of the world-wide stock market collapse.

●Earlier this month, Mr Judge indicated he would be standing aside as chairman of Judge Corporation in New Zealand, which holds a 22 per cent stake in Ariadne. A task force of the company's bankers was also formed to help run the operation.

●Last week the credit agency, Australian Ratings, provisionally downgraded Ariadne's rating from BBB plus to a range of B to CCC because of its reduced ability to meet its debt obligations.

●At the weekend, Impala Pacific, which holds Mr Judge's Hong Kong interests, reported a loss put at HK$58m (US$7.44m) because the market collapse forced it to write off the value of shareholdings it owned.

●On Monday, Mr Judge failed to gain re-election to the board of Renouf Corporation in New Zealand. Yesterday, he was quoted as saying there had been a "stuff-up" in the voting.

According to Ariadne, the rights issue will be on the basis of one new share for every two held and will be made at the par value of 50 Australian cents. The underwriter is Pembroke Securities, part of Mr Larry Adler's FAI Insurances group.

Proceeds will be used by Ariadne to increase stakes in its associates, which include Giant Resources, the mining company. The aim is apparently to offset the effect of a write-down in its existing holdings.

On the stock market, Ariadne's share price dipped on the news, finishing 15 cents lower at 60 cents. Although this is above its low point of 40 cents, the price remains fundamentally weak, having peaked earlier this year at A$4.

On the proposed appointment of a chief executive officer, Mr Judge was quoted as saying he needed "more strength back here in the home base in Brisbane." The unnamed appointee will start work on January 1.

Mr Judge was also reported as saying that shareholders' funds stood at A$735m, up from the A$704m reported on June 30, while debt amounted to A$900m.

Australia's National Companies and Securities Commission (NCSC) is meanwhile understood to have asked Ariadne to produce supplementary accounts to shareholders, detailing its financial position in the aftermath of the share market collapse. Other companies have been asked to do the same.

# Sharp rise in earnings at ICI Australia

By Our Sydney Correspondent

ICI AUSTRALIA, the 62.4 per cent owned subsidiary of Imperial Chemical Industries of the UK, has reported a sharp rise in net earnings for the year to September on improved turnover.

Figures released yesterday showed sales of A$2.42bn (US$1.66bn) against A$2.05bn in 1985-86. After-tax earnings rose 56.6 per cent to A$108.6m from A$69.3m.

Mr Michael Deeley, managing director, said the improvement was due to strong demand for plastics and specialty chemicals and good results from the group's Dulux paints operation.

Although performance in the current year is ahead of budget so far, Mr Deeley said it was too early to judge the effects on business of the recent share market collapse.

He also acknowledged disappointment over ICI Australia's failed attempt to take over F.H. Faulding, the Adelaide pharmaceuticals manufacturer, earlier this year.

Adjusted for a one-for-six scrip issue, the results show that earnings per share climbed to 37.7 cents from 24.1 cents. A final dividend of 12 cents was declared, making a total of 20 cents, fully franked, against 16 cents last year.

# Bell sells BHP share parcel

BY OUR FINANCIAL STAFF

STATE GOVERNMENT authorities in Perth yesterday bought a A$288m (US$198m) parcel of shares in Broken Hill Proprietary from Mr Robert Holmes a Court, taking to nearly A$500m their purchases during the past week from the local entrepreneur who is battling to realign his investment empire in the wake of the stock market collapse.

Bell Resources, Mr Holmes a Court's energy and mining investment vehicle, said it had reduced its BHP holding by 2.5 per cent through the deal with the Western Australian State Government Insurance Commission. This is the same body which last Friday bought a A$206m portfolio of properties in the city from Bell Group, his master company.

The latest disposal appears, however, to leave Bell's stake in BHP close to the recent average level of just under 30 per cent. Bell said it sold the shares in order not to breach a standstill agreement with the Melbourne-based resources giant.

Its holding had been creeping above the 30 per cent barrier because of options written by Bell Resources over the past year or more, which were now being exercised by their holders.

That itself suggests that by no means all of the funds raised yesterday will be free for deploying to offset share trading losses elsewhere. Many of the options requiring Bell to purchase BHP shares are believed to have been issued based on a BHP share price of close to A$10. This compares with A$7.24 yesterday, when the shares fell 6 cents against a firmer overall market.

Mr Holmes a Court's stable fared better in the market, where it had been among the hardest hit. Ahead of the deal, Bell Group shares rose 35 cents to A$2.45 and Bell Resources shares 25 cents to A$1.90.

# Celanese boost for Hoechst

BY ANDREW FISHER IN FRANKFURT

HOECHST, the West German chemicals group, managed a sizeable rise in profits at the nine-month stage with the aid of its new US acquisition, but warned about the impact of the dollar's fall on future business.

With the first-time inclusion of results from Celanese, group pre-tax profits of Hoechst were 9.3 per cent higher at DM2.2bn ($1.3bn). But without Celanese, profits were flat.

Group turnover was up by 9.5 per cent in the January-September period to DM27.2bn, including DM3.2bn from Celanese, whose results were consolidated from March. Total sales would have been 3.2 per cent lower without Celanese.

Mr Wolfgang Hilger, the chairman, said the acquisition of the Celanese fibre, plastics and chemicals company had helped put the German group on an improved product and regional basis, as well as making it less dependent on currency movements.

He said the basic outlook for Hoechst was positive, despite some difficulties. The company was benefiting from a following wind out of the US. Hoechst Celanese, combining the former American Hoechst and Celanese, made a $276m pre-tax profit in the first nine months. In the previous period, American Hoechst alone earned $70m.

Mr Hilger said that with the dollar averaging DM1.82 in the first nine months of this year compared with DM2.23 a year ago, Hoechst's exports of agrochemicals and pharmaceuticals had been adversely affected. The US currency has since fallen sharply lower.

Hoechst, the first of the big three German chemical concerns to report nine-month figures, said its parent company pre-tax result was 3.6 per cent lower at DM1.16bn. This reflected the restrained economic climate

Mr Hilger said capital spending this year would total around DM2.5bn after DM2.1bn in 1986. As in the past two years, this would be well above the depreciation level.

# Lugano lawyer to outline his plan for Sulzer

By Our Financial Staff

MR TITO Tettamanti, the Lugano-based lawyer who leads a group of a dissident shareholders in Sulzer, the Swiss engineering group, has agreed to provide the company's management with a memorandum outlining his proposals for Sulzer.

At meeting with Sulzer officials Mr Tettamanti agreed to provide the company with a memorandum before its next board meeting early next month, Sulzer said yesterday.

# Dutch paper group in US acquisition

BY DAVID THOMAS

BUHRMANN-TETTERODE, the Dutch paper, packaging and graphic arts company, is taking control of Summit Office Supply, a New York-based business, in a move to increase its international presence.

Buhrmann is acquiring 70 per cent of Summit for an undisclosed cash sum.

The Dutch company said its financial strength would underpin the expansion programme of Summit, which has annual sales of more than $50m and is at present concentrated around New York.

The acquisition is also designed to build up Buhrmann's position in the fast-growing US office supply market. Buhrmann, with sales last year of Fl 3.4bn ($1.77bn), is already a leader in the European paper wholesaling, business systems and office stationery markets.

The Dutch company's other US interests include making and distributing protective packaging material, making specialised paper sorting equipment and the distributing printing machines for the packaging and graphic industries.

Buhrmann said Summit's contribution was expected to exert a positive influence on earnings.



# Volvo third quarter strongest since 1929

By Sara Webb in Stockholm

**VOLVO, the Swedish motor and energy group, has increased third-quarter profits, after financial items, by 21.5 per cent to SKr2.38bn ($371.9m), its strongest set of third-quarter figures since 1929.**

**Though the lower dollar has taken its toll of Volvo's passenger car operations, higher earnings from other business areas - chiefly the truck and food operations - have helped to compensate for this, in what is usually Volvo's weakest quarterly result.**

**Mr Pehr Gyllenhammar, chief executive officer, said that Volvo was in a good position to weather stock market turbulence and would be out bargain-hunting for acquisitions, possibly to help build up its food or truck divisions.**

**Volvo does not give full-year forecasts, but analysts reacted favourably yesterday to the figures and raised their forecasts to profits of about SKr7.3bn.**

**Last year, Volvo made profits of SKr7.53bn on sales of SKr84.09bn.**

**For the first nine months, profits slipped by 2.9 per cent to SKr5.9bn, against SKr6.1bn, although sales increased by 5.6 per cent to SKr66.23bn, boosted by a 14 per cent increase in oil trading sales.**

**The lower dollar exchange rate has reduced the value of sales by SKr2.9bn this year, with SKr1.15bn attributable to oil trading and the rest to industrial products.**

***Sales for the latest quarter* rose by 16 per cent to SKr21.88bn, with the trading division sporting a 56 per cent increase to SKr4.48bn.**

**Car sales rose by 11 per cent to SKr8.36bn in the third quarter, and by 5 per cent to SKr27.57bn over the nine months, as the dollar's fall has made most impact on this division.**

**Volvo said that the total market for cars increased by about 4 per cent in Europe during the first nine months, but fell by 10 per cent in North America. Car deliveries slipped from 322,000 to 321,000 in the nine months. Higher car sales in Sweden helped to offset the decrease in the US and Norway.**

**Truck sales staged a 14 per cent increase in the third quarter at SKr4.28bn, with a 9 per cent increase over the nine months at SKr12.68bn.**

**Volvo said that the total market for heavy trucks increased by 17 per cent in Europe and 18 per cent in the US during the nine months, though markets in Brazil and Australia showed a significant decrease.**

**The group said it had failed to keep pace with the sharp increase in the market because it had been using its full capacity, and as a result it has suffered a fall in market share. It delivered 33,000 trucks this year compared with 31,000 in the corresponding period.**

**Mr Gyllenhammar said he would not speculate about which way the dollar would move and what effect it might have on results. However, he said that the group had been well prepared and that it had sold dollars forward "so if the dollar fluctuates widely over the last three months it won't affect our bottom line drastically."**

# Japanese brokers show gains in strong year

BY CARLA RAPOPORT IN TOKYO

JAPAN'S four leading securities houses showed sharp gains in profits for the year to the end of September, on the back of the then still roaring bull market.

In its review of operations, Nomura, the industry leader, said stock trading was particularly active, with orders from customers up 44 per cent at the year-end. All four brokers cited increased activity in underwriting, bond trading and investment trusts in the period.

Nomura lifted pre-tax profits after provisions by 27 per cent to Y475.3bn ($3.47bn) on revenues 17 per cent higher at Y957.2bn. Daiwa, the second largest broker, produced an increase of 25.3 per cent in pre-tax profits to Y291.3bn and a 19.4 per cent rise in revenues to Y601.7bn.

Nikko and Yamaichi showed 28 per cent and 31 per cent profit advances at the pre-tax level respectively. Nikko said that pre-tax profits were Y278bn compared to Y217bn last year, while Yamaichi reported pre-tax profits up to Y221bn from Y168.8bn. Nikko's revenues were 18 per cent higher at Y540bn, while at Yamaichi revenues were Y506.2bn, up 22 per cent.

The companies were cautious in their forecasts for the current year, as the crash in world stock markets has put a considerable damper on trading in Tokyo. Still, Yamaichi forecast a modest improvement in revenues for the current year to Y580bn and a slight increase in pre-tax profits to Y230bn.

Economic recovery and double-digit growth in Japan's money supply in recent months have helped fuel the boom in equity investment trusts, the leading brokers said yesterday. Nikko, for example, reported that its subscriptions and sales of investment trusts increased 2.2 times in the year to Y3,233bn. Commissions associated with the trusts rose 53 per cent to Y86.1bn.

Nomura pointed out that the new issue market in Japan was relatively active in the year, thanks to increased numbers of both foreign and domestic companies listing their shares on the *Tokyo Stock Exchange*. It added that its own stock underwriting business advanced by 78 per cent to Y413bn in the year.

The big four did not prosper as well in the bond market, which weakened at the end of the fiscal year. Nomura's net gain on bond trading in the year, for example, was down 48 per cent.

# Penney sells Belgian interests

BY TIM DICKSON IN BRUSSELS

J.C. PENNEY, the third largest retailer in the US, has sold a substantial share of its Belgian operations to GB-Inno-BM, the big Belgian stores group.

In a deal which was estimated yesterday at about BFr1.2bn ($33.7m), GB-Inno has agreed to acquire all of Penney's interests in Sarma, a company which includes the Nopri franchise operation and a stores business, plus 49 per cent of the US group's other Belgian activities, which consist of the shops trading under various Sarma names.

GB-Inno will assume management responsibility and has an option to purchase the remaining 51 per cent over a period of four years. "I am confident that this will happen," Mr Francois Vaxelaire, the company's president, said yesterday.

The exact price will not be finalised until after the end of the year but Mr Simon Golstein, general manager of GB-Inno, indicated that the cost to GB-Inno would be in the order of BFr1.2bn, including BFr640m which the company is contributing in the way of new capital "to consolidate the financial base of the operating companies."

Mr Thomas B. Fox, J.C. Penney's director of European operations, said that Penney would show a loss of book value of "about $17m which works out at about 11 cents of earnings per share in 1987." Penney's EPS last year totalled $3.60.

Yesterday's deal, which follows the disclosure late last month of talks between the two sides, represents an important stride for GB-Inno, which under local law is effectively prevented from opening new supermarkets in Belgium.

The combined turnover of the two businesses, including franchises, totals more than BFr190bn, or roughly 10 per cent of the Belgian market, but GB-Inno made it clear yesterday that it has its eye firmly on exploiting the opportunities provided by a single European market after 1992. "We are together the 15th biggest retailer with a Stock Exchange quotation in Europe but we are not even in the top 20 if you include those that are not quoted," Mr Vaxelaire explained.

For Penney, whose Belgian operations lost BFr116m last year and more than BFr330m in 1985, yesterday's development is in line with its strategy of streamlining activities into more profitable segments and concentrating on its US home market.

Penney yesterday announced a strong rise in profits for the third quarter of 1987. Sales for the third quarter improved from $3.49bn to $3.76bn and net earnings surged ahead to $171m from the $116m achieved in the third quarter of 1986.

For the nine months, operating net earnings were $328m, against $260m on sales of $10.4bn, compared with $9.75bn a year ago. Net earnings per share for the third quarter totalled $1.14 against 77 cents.

Operating earnings per share fore the nine months were $2.18, up from $1.73.

Penney pointed out that the nine-month results included a pre-tax charge of $140m for relocation expenses. The year earlier comparable figures excluded a $35m extraordinary charge.

# West German engineer to cut workforce

By Our Financial Staff

KUGELFISCHER GEORG Schaefer, the West German engineering group which went partially public via a stock market issue of preference shares, is being forced to trim its workforce this year.

The company, which specialises in bearings, said business had been hit by adverse currency factors and an intensification of competition.

Kugelfischer said it did not plan to make people redundant, but would not hire new workers at its 11 plants in Germany.

# Champion in $95m sale

By Our Financial Staff

CHAMPION Spark Plug of Toledo, Ohio, has signed a definitive agreement to sell its DeVilbiss division to Great American Management and Investment's Eagle Industries subsidiary. Eagle will pay $95m and assume certain liabilities.

Although the sale is essentially at book value, Champion says, accounting rules require it to adjust the provision in the equity section of its balance sheet for previously deferred foreign currency translations relating to DeVilbiss. This will result in a reported charge to 1987 earnings of approximately 15 cents a share.

# UK COMPANY NEWS

## Meyer surges 55% to top £31m

**Meyer International**, importer and distributor of wood and wood panel products which lists Jewsons builders' merchants among its subsidiary companies, lifted taxable profits by more than 55 per cent from £20.21m to £31.34m in the six months to September 30 1987. Turnover advanced from £302m to £351.82m.

The directors declared an interim dividend of 2.4p - up from 2.15p last time - and after tax of £9.95m (£6.37m) earnings per ordinary share jumped from 14.35p to 22.03p.

Mr Oscar DeVille, chairman, said that Meyer continued to take advantage of the current trading conditions, with the performance of Jewson being particularly encouraging.

Trading profits for the six months - £25.64m compared with £19.87m - were a record for this stage of the year. Profits on sales of property added £5.8m, of which £5m came from the sale of a site at Grays, Essex.

The recent turbulent conditions in world stock markets might have some effect on trading levels in the months to come, as might a severe winter, but he remained confident of achieving a satisfactory result for the year. In the year to March 31 1987, Meyer made profits of £45.12m (£32.08m) on turnover of £616.32m (£565.4m).

Mr DeVille added that the directors were continuing to seek opportunities to expand the business selectively both at home and abroad.

### ● comment

These are harsh times for companies to bring out figures - although Meyer managed a 55 per cent pre-tax profits increase, the shares were marked down 20p to 319p. It is true that pretax profits were ahead of expectations primarily because of £5.8m of property sales; even so, a 29 per cent increase in trading profits and nearly a three-quarters of a percentage point margins increase hardly seems to justify a rash of sell orders. There are obviously some doubts about the timber side - Meyer will have to place its timber orders in the New Year with little information on how the stock market crash has affected house-building programmes. However, Jewson, the building products division, stands to benefit from any upsurge in refurbishment so the negative effect of a slowdown in building starts is limited. What may restore some lustre to Meyer's shares - on a prospective p/e of under 8 assuming £59m for the full year - is an acquisition. The company is ungeared and the two senior managers working on business strategy are presumably casting an eye at the cheaper stocks now on offer.

## BP's new shares rise to 85½p in heavy trading

By Richard Tomkins

**THE PRICE of British Petroleum's newly-issued shares shot up by more than 8 per cent yesterday in heavy trading as speculation persisted that a major stake was being built.**

**The shares, issued at 120p in last month's disastrous flotation, closed 6½p up at 85½p, well above the 70p floor price at which the Bank of England has undertaken to buy unwanted stock.**

**Volume was 274m, representing just under 40 per cent of all business done in larger stocks on the London market yesterday.**

**Speculation again focused on the Kuwait Investment Office, which is thought to have picked an initial 4.9 per cent stake in a buying spree just under a fortnight ago.**

**However, market analysts found it difficult to pin down the buying because a large proportion of it went through First Equity Services, a specialist inter-dealer broker which protects the anonymity of its clients.**

**Most analysts believe that the stake is being acquired as an investment in the partly-paid stock rather than with the intention of making a bid. They say the buying would be on a heavier scale and would have affected the fully-paid stock as well if there was hostile intent.**

**The fully-paid stock rose by a more modest 4 per cent from 249p to 259p on volume of just 13m shares.**

**see Lex and Market Report**

## DTI plans investigation into Grand Central share dealings

BY CLAY HARRIS

LORD YOUNG, Trade and Industry Secretary, yesterday announced another investigation into possible insider trading and took the rare step of naming the individual involved, Mr Peter Linacre, chief executive of **A. Caird & Sons**, the Scottish property investment company.

Inspectors were appointed to investigate dealings in the shares of **Grand Central Investment Holdings**, a food production and distribution company. Mr Linacre was named because the information could affect the share price of Caird, which is not directly involved in the investigation.

Indeed, Caird shares took the brunt of the announcement, losing 20p yesterday to close at 155p. Grand Central shares closed 1p lower at 73p.

The probe is the second to be announced within two days. On Monday, Lord Young disclosed that inspectors had been appointed on October 19 to investigate possible insider trading in the shares of Unigroup, the timber, building and clothing group.

Mr Linacre took over at Caird in June. He formerly worked in UK equity sales at Merrill Lynch, from which he was dismissed in late 1986 for breaking internal rules on share deals - transactions involving Grand Central shares. Merrill Lynch reported the matter to the Stock Exchange, which passed the information to the DTI.

Mr Linacre said last night that the news of the investigation had come as a complete surprise, and that he had not been contacted by the DTI or its inspectors.

His dealings in Grand Central shares - all conducted through Merrill Lynch - had been to support the broker's client company. He stressed that he had made no personal gain on the transactions.

"We had believed that it was a dead issue," he said. He never would have proceeded with his plans at Caird if he had known otherwise.

Although Lord Young waited four weeks to announce the Unigroup inquiry, the Grand Central investigation was revealed with much less delay, the inspectors having been appointed only on Monday. It was included, moreover, in the DTI's running total of 10 cases which are currently being investigated by inspectors.

Only one other inquiry has been publicly revealed, that into a junior official at the Office of Fair Trading in the wake of concern about leaks relating to whether takeover bids would be referred to the Monopolies and Mergers Commission.

## J. H. Fenner up £2.8m and plans European expansion

**J. H. Fenner (Holdings)**, Hull-based maker of power transmission and conveyor belting equipment, boosted taxable profits by almost 60 per cent in the year to August 29 1987. Profits rose from £4.77m to £7.61m on turnover up from £145.69m at £161.9m.

The directors proposed a final dividend of 3.75p - up from 3p last time - making a total of 6.25p (5p) for the year. After tax of £3.06m (£1.75m) earnings per share jumped from 9.12p to 12.11p.

Mr Peter Barker, chairman, said that the Indian company, which incurred a substantial loss in the first half of the year, recovered and traded profitably in the second half. In October, Fenner sold a 24.7 per cent stake in the subsidiary to the Singhania industrial family of New Delhi.

During the year, problems with the South African operation had been addressed by the flotation of an enlarged company.

Fenner concluded its programme of property disposals with the sale of its Middletown site in America and final proceeds were expected before the end of the calendar year. Planning appeals relating to the company's London and Lincoln sites were resolved favourably.

The power transmission division had been completely restructured, the adverse trend reversed and a progressive improvement was under way.

Mr Barker said that a substantial investment programme had been embarked upon and it was planned to more than double business in Europe over the next two or three years. The consequent additional volume would have a beneficial effect on plant utilisation at the company's principal manufacturing facilities in the UK.

He expected the three American companies to make further progress in the current year and in spite of the dollar's fall, earnings in sterling terms were still projected to show an improvement.

Mr Barker said that an encouraging start had been made to the current year and following a long period of retrenchment and reorganisation the group was poised for growth. Fenner's related companies incurred losses of £386,000 in the year compared with profits of £172,000 last time. Extraordinary items relating to the realisation of assets, closure and reorganisation costs, and certain exchange adjustments amounted to £355,000 (£2.83m).

### ● comment

Shares in Fenner suffered particularly badly in the market shake-out, losing 43 per cent of their value in the run up to the figures. In the event, there was no reason for undue disquiet and the solid results provided long-awaited evidence of the company's recovery: gearing has tumbled from 60 to 46.5 per cent; interest is covered 3½ times compared to twice last year; earnings per share gained a third, showing the benefit of lower borrowings and better trading margins. Combined with bullish utterings from management, the good news prompted a 13p gain in the share price to 138p, but long-term shareholders are unlikely to be delighted. At this price, the company is capitalised at £42m, less than even the nominal value of Hawker Siddeley's bid in June 1984. If the offer had gone through, shareholders would have been spared the deleterious effect on profits of the miners' strike and mayhem in India on the death of Mrs Gandhi. Regrets should be tempered with the thought that Fenner could make £10m this year - putting the shares on an undemanding prospective p/e of under 8.

## Thomson T-Line disposal

By Mike Smith

**Thomson T-Line**, the fast changing industrial holding company, yesterday prepared itself for the next phase of expansion by disposing of its lossmaking Bulk Storage subsidiary.

Bulk, a storage and transport company, is being sold to a management buyout team for a nominal sum of £1 but the deal will reduce group indebtedness by £4.05m and increase its ability to make acquisitions.

Thomson acquired Bulk in July last year as part of its £14m acquisition of Longton Industrial Holdings. Bulk is the last of the unwanted Longton subsidiaries to be sold.

Mr Hugo Biermann, co-chairman, said Thomson, which has been transformed from a shell since he and fellow entrepreneur Julian Askin moved in two years ago, was now happy with all of its offshoots.

With the clean-up of Longton complete, Thomson could pursue its strategy of expansion either through buying large companies or by adding on to its present activities. These include chemicals, electronics, cables, joinery and property companies.

Thomson would not disclose its gearing yesterday but it said the figure was considerably down from the end of last year when borrowings of £10m compared with shareholders' funds of £14m.

Bulk Storage made losses of £576,000 on sales of £8.9m in the 13 months to last April, when its net assets were £1.6m. Thomson had written down Bulk's book value to £1.

After yesterday's deal is approved Thomson will be relieved of Bulk's debt of £3.4m and Bulk will owe it £1.75m, to be paid over two years with interest.

Thomson has, however, bought Bulk's long leasehold premises in Bolton for £396,751 in cash at net book value. About a third of the building will be leased to Bulk and the remainder will be used by Thomson subsidiaries.

The controlling shareholders in the buyout companies are all existing Bulk directors. They are : Tony Reeve, Alan Harp, Brian Riley, Charles Butler and David Clark.

Thomson shares rose 2p last night to 78p.

## Stonehill rights success

BY NIKKI TAIT

**Stonehill Holdings**, the troubled furniture maker, announced yesterday that 32.73 per cent of its £3.2m "deep discount" rights issue has been taken up by existing shareholders.

The remainder has been placed with clients of Ifincorp Earl - the mini-merchant bank which is advising Mr Buchanan - at the 30p rights price.

The rights issue announcement followed the purchase by Mr James Buchanan, a Guernsey-based investment manager, of a controlling stake in Stonehill in September; at that time shares in the company returned from suspension at around 38p. Yesterday, they eased 1p to 39p.

## Hardanger up 51% to £5.3m

**Hardanger Properties**, developer of retail shopping sites and office and residential developments, yesterday announced a 51 per cent increase from £3.51m to £5.3m in pre-tax profits for the year to September 30 - the ninth successive year of profits growth.

Earnings per 10p share were up from 18.02m to £25.53m; taxation took £1.67m (£964,000). There were no extraordinary items this time (£68,000).

Earnings per 10p share have leapt 36 per cent from 38p to 51.5p and the total dividend is hoisted from 11.36p to 14.6pwith a final of 9.86p net(7.81p)

Net turnover for the year was up from £18.02m to £25.53m; taxation took £1.67m (£964,000). There were no extraordinary items this time (£68,000).

Mr Derek Coombs, chairman, said the board remained committed to the growth of Hardanger as a company concentrating on retail properties in prime situations in carefully selected towns and cities throughout the UK. Mr Coombs said he expected growth to be even more enviable in a bear market than in a bull market, simply because prime retail properties, unlike the more speculative elements in the property sector, were an area that traditionally had suffered least in a recession.

He expects at the end of the current year to be able to report a further significant increase in pre-tax profits as well as a major strengthening of the net assets of the company - at the year end net assets almost doubled

## Warnford sees over £3m

FOR THE six months ended June 24 1987 **Warnford Investments** lifted its net taxed revenue to £1.59m, and is looking for a slightly higher figure for the current half.

The group, engaged in property investment, made £1.27m for the first half of 1986 and £2.73m for the whole of that year. Virtually all properties were fully let.

Meanwhile the interim dividend is raised to 8p (7.5p) from earnings ahead to 16.57p (13.22p).

In the half year gross rents and service charges totalled £3.82m (£2.92m) from which interest took £2.45m (£1.98m) was earned. Tax came to £894,000 (£736,000).

## London Entertainments

Higher dividend income and increased surplus on realisations led to a rise from £289,000 to £310,000 in pre-tax profit for **London Entertainments** in the half year ended August 31 1987.

The directors considered that the changed market climate would be an advantage in implementing the investment policy.

They expressed confidence that enough attractive investment opportunities could be found to build a firm base for growth.

Below the line there were extraordinary charges of £57,500 being compensation payments to former directors.

Earnings came to 6.1p (6.2p) and the interim dividend is raised to 2.68p (2.5p).

Since the end of August the large number of individual holdings in the portfolio were reduced and that process would continue.

## Printech USM placing

BY PHILIP COGGAN

**Printech International** is applying to join the Unlisted Securities market via a placing. The Irish-based company, which was formerly known as Confidential Report Printing, manufactures technical manuals, primarily for US multinationals operating in the computer hardware and software industry.

The company was formed in 1978 by Mr Brian Stokes and Mr Chris O'Kelly, now the managing director and the sales director respectively. Printech is forecasting pre-tax profits of I£1.06m in the year to December 30.

The sponsor to the issue will be DCC Corporate Finance, a subsidiary of Development Capital Corporation, and J & E Davy will be stockbroker to the placing.

## John Gunn for RHM board

By Nikki Tait

**Mr John Gunn, chairman of British & Commonwealth Holdings and widely regarded as one of the City's shrewdest entrepreneurs, is joining the board of food and bakeries group, Ranks Hovis McDougall, as a non-executive director.**

**RHM said yesterday that Mr Gunn was known to a number of members of its board and that it had felt his City experience would be valuable.**

**RHM is due to report its full-year figures this morning, and currently has Australasian food group, Goodman Fielder, as an unwanted 29.9 per cent shareholder.**

## Youngs rises to £2.2m midway

**Young & Co's Brewery, the South London-based brewer famed for its Special and Winter Warmer brands, revealed a near-10 per cent increase in taxable profits to a record £2.22m in the six months to September.**

**However, Mr John Young, chairman, stated that the outcome was lower than expected due to a drop in beer sales. Other sections of the business were showing growth, particularly managed houses. The group's policy of taking more houses into direct management gave rise to optimism for the future, he said.**

**The pre-tax result was achieved on turnover up 5.3 per cent from £21.34m to £22.48m, and was boosted by a profit of £147,989 from the sale of property (nil). Interest charges took £290,384 (£294,862). After tax of £775,650 (£706,572), earnings per 50p share came out at 11.14p against 10.11p last time.**

**The interim dividend is raised to 4.5p (4p).**

**North America Investment Trust increased net asset value per ordinary share to 137.7p at September 30 1987 compared with 120.4p last year.**

**The directors declared an unchanged interim dividend of 0.5p. Taxes totalled £321,584 (£397,280) with earnings reduced to 0.95p (1.17p).**

## Tomorrows Leisure heads for Third Market

BY PHILIP COGGAN

**Tomorrows Leisure** has become the latest Business Expansion Scheme company to join the Third Market. The company, which raised £1.2m in a BES offer early last year, is joining the Stock Exchange's newest tier via an introduction.

BES companies are not allowed to have their shares traded on either the USM or the main market. When the Third Market was opened in January last year, however, the rules were designed to allow BES companies to join; however BES shareholders still have to hold their shares for at least five years to qualify for income tax or capital gains relief.

Tomorrows Leisure developed out of the non-engineering business of Norstead Group, another private company. Norstead first moved into leisure in 1978, acquiring the George Washington Hotel, in Washington New Town, Tyne and Wear and subsequently opened a chain of snooker clubs called Supasnooker, a nine hole golf course and acquired a 125 year lease on Fairlop Country Park in Essex.

Tomorrows was spun off from Norstead in early 1986 and in the year to March 31, 1987 it made pre-tax profits of £256,000. At last night's closing price of 33p, the company is capitalised at around £3.9m.

## Berisford to take stake in Enzymatix

By Clay Harris

**Bristar**, the food and agribusiness division of **S&W Berisford**, sugar producer and commodities dealer, is to invest £1m for a 30 per cent stake in Enzymatix, a new Cambridge-based biotechnology company.

Enzymatix is involved in the research and sale of diagnostic enzymes and intermediate chemicals.

The company was founded by Dr Chris Evans, a microbial physiologist who formerly worked for Genzyme, a biotechnology company, and Dr John Meers, a biotechnologist who was corporate director at J & E Sturge, the Yorkshire chemical company.

Bristar is providing all the initial capital for Enzymatix.

Mr Peter Jacobs, chairman and managing director, said Bristar aimed "through a combination of acquisitions, new product development and research-related ventures to achieve growth levels which would be unachievable through concentrating on traditional sugar-related activities."

## Burmah Oil plans ADR move

**Burmah Oil**, the Castrol and chemicals group, is to establish a sponsored American Depository Receipt programme for its shares.

Mr John Maltby, chairman, said that the company's desire was to spread its investment base following its growth in the US in recent years. More than a quarter of Burmah's earnings are derived from the US.

Unsponsored ADRs in Burmah have been traded on Nasdaq for several years and there are more than 20 market makers for them. But the proportion of shares in ADRS is less than 1 per cent.

## Mountleigh's Wembley stake

The reverse takeover by **Wembley Investments** of listed greyhound track operator, **GRA Group**, has resulted in Mountleigh, the agressive property company headed by Mr Tony Clegg, holding a 9.11 per cent stake in the new merged group. Mountleigh previously owned 10 per cent of Wembley.

Capital Development S.A. now has a 8.6 per cent stake and Scotts Restaurant, a quoted company where former GRA chairman, Mr Isadore Kerman and non-executive director, Mr Nicholas Kerman, are directors and shareholders, will hold 2.12 per cent.

## Simon Eng buys

**Simon Engineering** has added to its range of powered access platforms with the acquisition of Eurolift for £1.4m cash. The vendor is Kranlyft of Sweden.

Based in Cork, Eire, Eurolift makes lightweight, articulated and telescopic access platforms.

**LAPORTE INDUSTRIES (HOLDINGS)**: Following the acquisition of 986,240 ordinary shares, the Solvay Group's holding at November 16 totalled 34.4m ordinary shares (25 per cent).

## Further losses at Acsis Jewellery

By Nikki Tait

**Acsis Jewellery**, the small USM-quoted retail jewellery business which became one of the summer's highest-flying shell situations, yesterday reported a further £53,000 loss before tax in the six months to end-July.

This, however, compared with a £480,000 loss in the same period a year earlier, and followed a heavy rationalisation programme. The company now has just half a dozen outlets and sales for the six-month period were down from £1.3m to £379,000 producing an operating loss of £33,000 (£402,000). According to Acsis, the aim was to have the jewellery business trading at break-even by the January year-end.

During the six-month period, Acsis saw a £20,000 interest charge (£78,000). However, in June, following the buy-in by aSouth African businessman, Mr Darryl Phillips, the company raised about £1.4m, and currently has £1m cash balance.

Recent attention at Acsis has centred on Mr Phillips' plans to take the company into the advertising sector - in turn, helping to send the shares to more than 300p during the bull market. Yesterday, Mr Phillips confirmed that Acsis was still negotiating actively over a number of acquisitions.

According to his advisers, Hambros, there were currently outline agreements with two privately-owned companies specialising in below-the-line marketing services, and a number of other situations were being pursued.

The deals, said Hambros, were "not imminent" but would hopefully be announced before Christmas.

Yesterday, shares in Acsis were unchanged at 90p.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding div | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Concentric | fin | 4.55 | - | 2.94 | 6.5 | 4.5 |
| F & C Eurotrust | fin | 2.35♣ | Dec 16 | 1.85 | 2.35♣ | 1.85 |
| J H Fenner | fin | 3.75 | - | 3 | 6.25 | 5 |
| Hardanger Props | fin | 9.86 | - | 7.81 | 14.6 | 11.36 |
| Ldn Entertain | fin | 2.68 | - | 2.5 | 2.68 | 2.5 |
| Lon & Strath.Tr | fin | 2.2 | Dec 30 | 2 | 3.3 | 3 |
| Meyer Internat | int | 2.4† | Jan 11 | 2.15 | - | 7 |
| Normans Group | int | 1.05† | - | 0.95 | - | 2 |
| Piccadilly Rad§ | fin | 1.38 | Mar 31 | 1.13 | 2.25 | 2 |
| Tomkinsons | fin | 5 | Feb 9 | 2.75 | 7 | 4 |
| TR N.America Tr | int | 0.5 | Jan 7 | 0.5 | - | 2 |
| Warnford Inv | int | 8 | - | 7.5 | - | 18 |
| Young & Co. | int | 4.5 | - | 4 | - | 9.5 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. Unquoted stock. Third market. ♣ For 15 months.

# UK COMPANY NEWS

## Tomkinsons plans more growth as profits pile up

MR LOWRY MACLEAN, chairman of **Tomkinsons**, carpet manufacturer and spinner, said that the group would continue its strategy of organic growth in the UK market through upgrading existing operations along well-established lines.

The company almost doubled taxable profits from £1.86m to £3.36m on turnover up from £20.06m to £23.76m in the year to October 3 1987. The directors proposed a final dividend of 5p (2.75p), making a total of 7p (4p) for the year. After tax of £1.01m (£668,000), earnings per share worked through at 39.8p - up from 20.2p last time.

Mr Maclean said that the company's strong financial performance has provided the basis for susbtantial capital programme across the complete spectrum of its activity. It has established an excellent new product portfolio, supported by a marketing approach based on developing long-term dealer relationships. The management team had been strengthened with the addition of four experienced senior executives.

The impact of the current unsettled financial markets could not yet be fully assessed but Mr Maclean said that it worth noting that the group has a negligible proportion of its earnings dependent on North America. Demand for Tomkinsons products was currently at record levels.

**Lowry Maclean: strong new products portfolio.**

## Normans up £0.5m midway

**Normans Group,** the food discount retailer, pushed up its pre-tax profit from £1.07m to £1.53m in the half year ended September 26 1987.

The period under review included three months of Joplings chain of department stores, acquired in the middle of the year. They traded satisfactorily and sales were strengthening in the run up to Christmas, the directors stated.

Turnover in the six months rose from £48.72m to £56.16m, while the profit comprised £2.01m (£1.48m) retailing and £77,000 (£137,000) agriculture - tea and coffee plantations in Malawi. Interest costs were little changed at £560,000 (£547,000).

The directors said the increase in the retailing expertise augured well for the future, and full-year profits were expected to show further progress.

The merger with Joplings had been carried through quickly. The integration of both the Freezway and Waldens businesses (acquired since the half year) was proceeding rapidly.

In finance, computer and investment activities the results were good.

Earnings for the half year came through at 2.22p (1.98p) and the interim dividend is lifted to 1.05p (0.95p) on increased capital.

## Advertising sales boost Piccadilly Radio

**Piccadilly Radio,** independent radio station based in Manchester, has exploited a rising trend in advertising sales prevailing across independent radio since early in 1987.

Yesterday, the company reported pre-tax profits up from £526,000 to £765,000 in the year to September 30 1987. Turnover rose from £4.44m to £6.12m, and the increase was as a result of significant business development undertaken during the year. Substantially increased advertising sales revenue also contributed to the higher turnover.

Expansion included the acquisition of Squire Light and Sound, which is now part of the company's subsidiary, Piccadilly Sound and Light. The two businesses will be rationalised in the coming months in order to make most effective use of the management resources in each.

The company also launched Piccadilly AV, which is engaged in the sale and hire of audio visual equipment.

Piccadilly Productions increased its stature over the past year and is currently supplying two of the three nationally networked programmes in independent radio.

The board said it was confident that the developments undertaken during the year would provide a valuable platform from which to increase profits in the future.

The profitability of the group was affected by start-up costs, but nevertheless its operating profit increased by 11.9 per cent to £1.1m.

The directors said the current year had got off to an excellent start with strong trading in all parts of the group.

The final dividend for non-voting shares is increased from 1.125p to 1.375p net for an increased total of 2.25p (2p). The company's shares are traded on the Unlisted Securities Market. Stated earnings per 5p non-voting shares improved from 3.2p to 4.9p.

## Concentric rises 57% to £5.2m.

**Concentric,** West Midlands-based manufacturer of controls and assemblies for the domestic, engineering and automobile industries, has maintained the advance shown at the time of the interim statement in May.

An 11 per cent expansion in group turnover to £64.93m for the year to end-September translated into pre-tax profits of £5.16m - an increase of 57 per cent on last year's £3.29m.

Mr Tony Firth, chairman, attributed the increase in profits to considerable planning and a record level of capital investment in the operating companies.

Mr Firth added: "We plan to increase our rate of investment in both our existing businesses and on further opportunities, and we expect that the performance of the company will show further improvement."

After a tax charge of £1.77m (£1.25m), earnings per 10p share worked through at 17.6p, against 10.56 last time.

The final dividend is increased to 4.55p making 6.5p (4.5p).

### ISA International

**ISA International:** Due to an agency error Mr D. Heap, who now holds 1.85m shares (9.49 per cent), was yesterday inadvertently described as a director of the company.

## F&C Eurotrust assets advance

**F & C Eurotrust** raised net asset value almost 35 per cent to 300.8p at September 30 1987 compared with 223.5p on June 30 1986, assuming a full conversion of the convertible loan stock.

Net revenue for the 15 months to end-September rose to £299,322 after tax of £249,019.

For the year to June 30 1986 net revenue amounted to £142,349.

Earnings per 25p share increased to 2.56p (1.9p) and a dividend of 2.35p (1.85p) is being paid.

●The Wellcome Trust has disposed of its entire holding of 682,500 ordinary shares (5.8 per cent) in F & C Eurotrust.

## CML 25% ahead at six months stage

**CML Microsystems,** the USM-quoted manufacturer of integrated circuits, increased pre-tax profits 25 per cent from £902,000 to £1.13m in the half-year ended September 30 1987. Turnover increased 18 per cent to £4.03m.

After tax of £429,000 (£343,000), earnings per 10p share increased 33 per cent to 4.1p (3p adjusted).

The directors said that sales of traffic products slowed in the first half but results over the full year should be satisfactory. Expenditure on product and market development increased significantly, as planned, and a new Florida-based traffic products subsidiary was formed and became operational.

Semiconductor product sales were ahead of budget and progress in marketing the new modular products was maintained.

In accordance with normal policy, no dividend will be payable at the interim stage.

## Infrared improves and order book shows rise

**Infrared Associates,** the US-based high technology company which has 40 per cent of its equity quoted on the USM, yesterday reported a 9 per cent increase from $371,000 to $405,000 ($296,000) in pre-tax profits for the half year to August 31.

The directors said that the group as a whole continued to expand: the markets addressed by the increasing product range were buoyant and, given that there was no change in the overall economic circumstances, present trends should continue.

Outstanding orders at the half year were $2.5m. In both orders and sales, activity rose sharply in the second quarter. In sensors for analytical instruments the order rate did not rise to previous levels until the end of the first quarter.

The trend in orders for infra-red sensors at the half year showed an annual rate in the region of $5m and manpower resources were being expanded to meet this level of demand.

Orders for the new lead salt sensors should begin to flow and generate the contribution to revenue in the second half envisaged at the time of the annual meeting.

Infrared systems moved into the black in the second quarter after continued losses in the first.

Group turnover for the period was $2.22m ($1.61m). Operating profit of IR Associates was up from $371,000 to $396,000 and IR Systems produced an operating profit $31,000 against a previous loss of $42,000.

Interest and other income amounted to $24,000 ($42,000) and tax took $177,000 ($166,000) leaving earnings per share of 3.4 cents (3.12 cents).

### Assets rise at London & Strathclyde

Net asset value of **London & Strathclyde Trust** stood at 335.2p per 25p ordinary at the August 31 year end compared with 223.7p a year earlier.

The directors pointed out, however, that the recent fall in major stock markets had resulted in a decline of 21.9 per cent in the nav to 261.9p as at October 31.

Net revenue for the year, after all charges including tax, amounted to £503,855 (£501,340). Tax amounted to £226,548 (£223,212).

Earnings per share worked through at 3.41p (3.39p). A final dividend of 2.2p (2p) makes a total of 3.3p (3p).

### Caparo buys more Armstrong Equip

**Caparo Group,** the privately-owned company belonging to Mr Swraj Paul which also holds a 75 per cent stake in the quoted Caparo Industries, has raised its holding in **Armstrong Equipment** to just over 8 per cent.

The increase results from the purchase of an additional 350,000 shares, and takes the Caparo Group interest to 4.225m shares. A non-beneficial charity associated with Caparo owns a further 20,000, taking the combined holding to 8.14 per cent.

### Blanchards perks

At the annual general meeting of **Blanchards,** the Knightsbridge based interior design group, managing director, Mr Alexander Aldbrook, unveiled details of an incentive scheme for ordinary shareholders.

The company will be offering a complete interior design service to registered holders of 5,000 or more shares who have held them for a minimum of three months.

# APPOINTMENTS

## New chief for Docklands Corp

THE NEW chief executive of the LONDON DOCKLANDS DEVELOPMENT CORPORATION, responsible for the regeneration of the derelict land east of the City, will be **Major General Jeremy Rougier,** the Army's engineer-in-chief, *writes Paul Cheeseright, Property Correspondent.*

*His appointment is widely seen* as presaging a period of consolidation for the LDDC in the wake of the free-wheeling style adopted by the outgoing chief executive, **Mr Reg Ward,** who is to be a consultant on urban regeneration matters.

It signals the end of the first phase of the LDDC's existence. Since 1981 it has sought to draw attention to the commercial merits of the area and has been notably aggressive in bringing development projects to the Docklands.

Now it is expected that General Rougier will introduce a more cautious management style to the LDDC, especially in the early stages of his appointment, which starts in January. Although a highly-qualified engineer, he has experience neither of the commercial world into which he is about to be pitched nor of the particular problems of urban regeneration.

He has been a career soldier and the shape of his career suggests an impeccable curriculum vitae in his chosen field - Marlbrough, Sandhurst, Staff College, Royal College of Defence Studies with civilian degrees picked up on the way. He joined the Army in 1951 and served with the Royal Engineers in Christmas Island, Thailand, Aden, Malaysia and Germany. *He has been chief* of Army training and since August 1985, the engineer-in-chief.

General Rougier's appointment has been made by the LDDC board and not by the Environment Secretary. He will receive a salary of around £50,000 a year.

★

**Mr Graham Taylor** has been appointed managing director of *GEORGE OLIVER (FOOTWEAR).*

★

BRITISH TRANSPORT ADVERTISING has appointed **Mr Frank Mizen** as sales director (rail) responsible for advertising sales at over 600 British Rail stations, and thousands of roadside poster sites.

★

**Mr Peter Vibert Dixon** has been appointed director of planning and administration from February 1 at TURNER KENNETH BROWN, City solicitors. He is secretary to the National Economic Development Council, and a director at the National Economic Development Office.

★

SIMON ENGINEERING has appointed **Mr James Burkitt** as assistant group secretary. He is a solicitor and joins from the Tootal Group where he held a similar post.

★

**Mr Jim Babester** has been appointed director of ARTHUR PRICE SHOWROOMS. **Mr Bill Gibson** becomes director of ARTHUR PRICE INCENTIVE SERVICES. **Mr Robert Jones** has been appointed director of ARTHUR PRICE INTERNATIONAL EXPORTS.

★

**Mr Peter Davis,** head of home affairs in the Conservative Party's research department, has been appointed director of marketing at the ROYAL INSTITUTE OF BRITISH ARCHITECTS. Earlier in his career he was special adviser to the Environment Secretary, and held marketing posts with Dylon International and 3M.

## Board posts change at Wills Group

WILLS GROUP has been acquired by PK English Trust Co on behalf of Australian Investors Corp. **Mr Christopher Spence** becomes non-executive chairman. He is chairman of Tyndall Holdings, and executive deputy chairman of English Trust. **Mr John Huckle** becomes managing director; he was finance director. **Mr Robin Marsh** has been *appointed non-executive deputy* chairman; he was chairman and chief executive of Wills Group. **Mr Garnet Harrison** becomes a director. He is chairman of Clayton Robard, a director of Australian Investors Corp., and managing director of Tyndall Holdings. **Mr Ian Davies** becomes a director. He has been responsible for the group's Australasian operations since 1977.

## Charles Barker new chairman

**Mr David Norman,** a director of CHARLES BARKER, has been appointed chairman and group chief executive from December 1. He succeeds **Mr Antony Snow** who has retired as executive chairman but remains on the board as a non-executive director. **Mr Paddy Murray** relinquishes his posts as group chief executive and a director of Charles Barker, but remains chairman of Ayer Barker, and Rapier Associates, both group companies. **Mr Miles Broadbent,** managing director of Norman Broadbent International, becomes chief executive of that company; **Mr David Norman** remains chairman.

★

**Mr David Benson** has been appointed group managing director of the VOYAGER GROUP, part of the Virgin Group. He was chief executive of the Venice-Simplon Orient Express company.

★

**Mr Philip Matthews,** formerly financial director at Zales at the time of the acquisition of Combined English Stores, has been appointed group financial controller of NEXT.

★

**Mr Norman S Lansdown-Davis** has retired as finance director and company secretary of CONTINUOUS STATIONERY. **Mr Grant M Findley,** previously a senior manager with Ernst & Whinney, has succeeded him as finance director and company secretary.

★

**Ms Sally Sutton** has been appointed company secretary of NOBLE WARREN INVESTMENTS.

★

***Mr John P. Gallagher** has been* appointed chairman of Lloyd's brokers GALLAGHER PLUMER and John Plumer & Partners. **Mr Richard Helman** has been appointed deputy chairman and managing director, and **Mr Trefor Evans** becomes deputy chairman. **Mr Graham Bell, Mr Stephen Prince** and **Mr Alastair Robertson** have been appointed directors of GALLAGHER PLUMER.

★

**Mr Archy Arenson,** chairman, ARENSON GROUP, will hand over executive responsibilities from January 1 to **Mr John Sacks,** chief executive, but will remain as non-executive chairman and consultant. **Mr Michael Hindmarch,** group secretary, will assume the responsibilities of group finance director.

# West Germany blazes a trail for set-asides

## Bridget Bloom assesses early results of an experiment in cutting cereal surpluses

THE KEY to the success or failure of this week's farm talks in Brussels could conceivably lie in the green fields of Lower Saxony. For there, deep in the heart of West Germany's cereal growing country, for the second year running, farmers are leaving fallow fields that before grew barley or wheat. They are participating in Europe's first controlled experiment to see whether such "set-asides" of cereal land, really can help reduce the European Community's huge surpluses.

The Government in Bonn, desperate not to cut farmers incomes further by reducing the guaranteed prices they receive, believe that the experiment points the way ahead. Mr Frans Andriessen, the European agriculture commissioner, who on Monday produced a broad set-aside plan, now seems at least ready to meet the Germans half way, opening up the possibility of a compromise in this week's negotiations for acceptable reform of the Common Agricultural Policy.

It seems possible that were Bonn to find its partners agreeing to adopt set-aside proposals, some of the hitherto unpalatable "stabiliser" measures proposed by the Commission to control the spiralling farm budget might prove more acceptable.

To many farmers, acustomed to maximising yields from each hectare, the idea of actually allowing productive land to lie fallow is anathema. At the same time hand the proposition that farmers should be paid for producing nothing seems to many observers of the CAP yet one more proof of the system's absurdity.

Yet proponents of set-asides - and they include Mr John McGregor, the tough new UK Minister of Agriculture, as well as the protectionist Mr Ignaz Kiechle, his German counter-part argue that, planned carefully, such schemes could cost less in relative terms than present policies (the UK also argues that set aside must accompany price cuts, rather than be substituted for them).

The German scheme, financed 20 per cent by the Lower Saxony state Government and 80 per cent by the Federal Government in Bonn, started in 1986. Lower Saxony grows more than 20 per cent of Germany's cereals and it was origionally hoped that about 115,000 hectares, or seven per cent of the state's arable land, would be taken out of production by the scheme.

In the end, some 7,400 farmers put 33,800 hectares up for set aside last year. The principal reason given for the slow response was that the compensation - of up to DM1,200 ($400) a hectare - was not enough to make it worthwhile, except for farmers on the poorest soils.

Additional reasons according to Mr Buhler of the Chamber of Agriculture in Hanover, responsible for administering the scheme, were that some farmers were worried that fallowing land would reduce their cereal quota, if these were to be introduced. Others found it psychologically difficult to accept the principle of taking good land out of production, he added.

Nothing daunted, last summer applications were invited for a second year, and this time compensation was increased. In addition the amount of land each farmer was allowed to submit was raised from 20 per cent of his acreage to 33 per cent and the ceiling was lifted from 20 hectares per farm to 35 hectares.

Mr Buhler said in Hanover last week that while the number of participating farmers was about the same as last year, this year land in the scheme had risen to 55,000 hectares. He believed that there would have been up to 80,000 hectares had the application period not been reduced from three months to one month, apparently because Government decided to limit the money available to the scheme.

Apart from the larger acreage and bigger compensation, the rules remained the same. "Set-aside" land, for reasons of good husbandry and of the environment, has to be "green" fallowed, although the farmer is not allowed to sell the crop he puts on it (usually clover or a clover/grass mix) or to feed it to animals. He is not allowed to fertilise the land, even with organic slurry, though liming is permitted. The land to be fallowed must have been in cereal production for the previous four years and be submitted to the scheme for a full year.

While some farmers have remained aloof from the scheme, because they felt the rules were too stringent, or that with animals to feed they had insufficient acreage to remove any from production, it seems clear that for the majority of farmers the level of compensation was the key to their participation. Last year, an upper limit of DM1,200 was set; this year there is a minimum of DM1,000 and a maximum of DM1,600 depending on soil productivity.

One farmer from the village of Schneeren near Neustadt seemed typical. He had 8.5 hectares, or 30 per cent of his land, green fallowed this year. He got compensation of DM1,100 per hectare, taking account of his land's rather poor quality. He reckoned that he would have made DM1,000 on the spring barley with which the land would have been sown, so he had a "profit" of DM100 a hectare from leaving the land fallow.

While no-one can be sure precisely how far the scheme has succeeded in lowering production (this year for example the bad weather also played its part in reducing the harvest) German officials believe its potential is proved. Being voluntary it has been quite easy and cheap in manpower to administer, with spot checks showing that fewer than ten per cent of farmers tried to cheat by for example, cutting the fallowed grass as hay.

Criticisms such as that made recently, by Mr Richard Lyng, the US Secretary for Agriculture, to the effect that set-aside in the US has proved a failure, because only the poorest land has been taken out of production, are acknowledged. But it is argued that the differences between the scale of US and European farming makes its success more likely on this side of the Atlantic, partly because with so many more small farms marginal land must also come out of production.

As for costs Mr Walter Kittel, the Deputy Minister of Agriculture, argued in an interview in Bonn last week that even the relatively high rate of compensation which Germany is willing to pay would be less than it cost Europe to subsidise, exports of unwanted cereals.

Compensation of DM1000 a hectare is equivalent to about Ecu120 a tonne for the four tonnes of cereals which the average German farm produces. Today export subsidies were costing "at the very least" Ecu136 per tonne.

Key questions for the future obviously centre on how attractive any community scheme can be made for farmers, ie how much compensation can be paid. Then many other questions follow, such as how far compensation should differ from country to country and above all, whether it should be paid mainly by the Community, or by the member state and for how long.

Some sort of set-aside seems likely to be introduced, if only because the Commission has already required member states to prepare by next April, but not necessarily to implement fully, schemes for the "extensification" (as against intensification) of farming. These would pay farmers for reducing output by 20 per cent by a variety of means and for a variety of commodities, including set-asides for cereal-producing land.

It could prove a big step, however, to move from this to the much wider application of the Lower Saxony experiment.

# Australian gold coin 'on course for 10% market share'

BY KENNETH GOODING, MINING CORRESPONDENT

THE AUSTRALIAN Nugget gold coin, launched in April, is likely to achieve within its first year its three-year target of capturing 10 per cent of the world's gold bullion coin market, according to Mr Don Mackay-Coghill, chief executive of GoldCorp, the Western Australian Development Corporation's gold promotion arm.

The 1987 proof issue of the Nugget, with completely new designs, is to be launched in Europe, the Far East and the US on Friday this week following its introduction in Australia at the end of September.

The 1987 issue mintage will be limited to 15,000 coins of each denomination, containing respectively 1 troy oz, ½oz, ¼oz and 1/10 oz of 99.99 per cent pure gold.

Mr Geoffrey Kitchen, of Spink Modern Collections, the Croydon, Surrey, company which is the European distributor of the Nugget coins, said his organisation will receive 50 sets of all four coins and 100 each of the "mini sets" (made up of the ¼ oz and 1/10 oz coins), 1 oz coins and ½ oz coins.

This is double the allocation for Europe of the 1986 Nuggets.

The price of the full set, if delivered in the UK, will be £1,095, including 15 per cent Value Added Tax, whereas the gold content is worth about $492 at the current price.

The half sets will cost $225, the individual 1 oz coin $560 and the ½ oz $290, all prices including VAT.

GoldCorp's Mr Mackay-Coghill said more than 745,000 coins of

the 1986 issue, worth A$231m have been sold and of this A$191m were exported.

Sales of the Nugget accounted for 301,000 troy ounces of gold by the begining of November compared with the target of 400,000 for the first 12 months, he reported.

Gold is Western Australia's second most valuable mineral product. Production is expected to reach 73 tonnes in 1987 and 85 tonnes next year.

The Perth Mint, which produces the Nugget, already refines more than 70 per cent of Australia's gold production and mints about 99 per cent of the gold coins produced in Australia.

The Western Australian Government wants to expand its involvement with the gold industry substantially.

Among other incentives, it has put a radical plan to the Commonwealth Government for the Western Australian Development Corporation to market and promote the products of the Royal Australian Mint in Canberra and the proposed new mint at Kalgoorlie.

The Canberra Mint produces and markets proof sets of coins and the Golden Koala.

Western Australia also, somewhat controversially, is to establish an international gold bank with its headquarters in Perth.

To be known as the Gold Banking Corporation or Gold Bank, the new organisation will provide international banking and investment services in gold and foreign currencies to gold producers, private investors, international banks and government authorities.

It will issue coinage and securities denominated in gold and other precious metals and use gold as an international currency as well as developing and marketing international products made of gold and other precious metals.

# Dry weather hits wheat output

BY CHRIS SHERWELL IN SYDNEY

ADVERSE SPRING weather has caused a further downward revision in estimates of Australia's wheat output in the current year.

The estimates, made by the Australian Bureau of Agricultural and Resource Economics (formerly the Bureau of Agricultural Economics), put the 1987-88 national wheat crop at 12.2m tonnes.

That would be 4m tonnes lower than last year and the smallest crop since the severe drought of 1982-83. It is also significantly lower than the last estimate, made in September, of 12.8m tonnes.

The main reason is continued hot and dry weather in October. This has caused the wheat crop to mature early, with the result that harvesting is already in progress in all states except Victoria.

Earlier, a poor world price outlook had prompted farmers to reduce their plantings. The area sown to wheat this year, 8.9m hectares, is far lower than last year's 11.2m hectares and the smallest since the mid-1970s.

The size of the crop is important because Australia regularly ranks around third or fourth in the world wheat and flour export league.

According to yesterday's report, yields in Queensland are well below average for the second successive year. But in Victoria and New South Wales they are expected to be better.

The adverse weather conditions have also affected estimates for barley and for legume crops. Despite a 53 per cent increase in the area sown to lupins and field peas, output of these two crops is only expected to increase by 14 per cent.

# Oil prices hit 9-month lows

BY LUCY KELLAWAY

OIL PRICES yesterday fell to their lowest levels for almost nine months as traders became increasingly gloomy about the chances of next month's meeting of the Organisation of Petroleum Exporting Countries leading to an increase in oil prices.

In London yesterday the price of Brent crude for December delivery traded as low as $17.65 a barrel, 30 cents below Monday's close. Market sentiment was undermined by comments from Mr Rilwanu Lukman, president of Opec, who warned that the December meeting would be difficult and could last for some time.

"We have a lot of problems that we have to consider in December which are crucial for the survival of OPEC members," Mr Lukman said in Jakarta yesterday after a meeting with President Suharto.

"Obviously there is a difference of opinion within OPEC as to what price level we should aim at in 1988. Some people want to maintain the current level of 18 dollars, some want an increase to compensate for the decrease in the dollar," he said.

Traders said it was unlikely that members such as Iran and Algeria, which favour a $2 official oil price rise to $20 a barrel to compensate in part for the steep fall in the dollar since present prices were set last December, will get their way.

The market is alarmed by signs that Saudi Arabia is not prepared to play the role of swing producer, despite continued overproduction by member nations and by a recent spate of price discounting. With current Opec production now running at about 19m barrels a day, more than 2m barrels above the official ceiling, any increase in quotas would be seen as giving legitimacy to the present cheating by Opec producers.

## WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

**ANTIMONY:** European free market 99.6 per cent, $ per tonne, in warehouse, 2,250-2,300 (2,260-2,300).

**BISMUTH:** European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse 4.45-4.65 (4.60-4.75).

**COBALT:** European free market, 99.5 per cent, $ per lb, in warehouse 6.40-6.65 (same).

**MERCURY:** European free market, min 99.99 per cent, $ per flask, in warehouse, 293-303 (same).

**MOLYBDENUM:** European free market, drummed molybdic oxide, $ per lb Mo, in warehouse 2.83-2.90 (same).

**SELENIUM:** European free market, min 99.5 per cent, $ per lb in warehouse, 6.60-6.75 (6.55-6.70).

**TUNGSTEN ORE:** European free market, standard min 65 per cent, $ per tonne unit $WO_3$, cif, 46-56 (same).

**VANADIUM:** European free market min 98 per cent $V_2O_5$, other sources, $ per lb $V_2O_5$, cif 2.80-2.90 (same).

**URANIUM:** Nuexco exchange value, $ per lb $U_3O_8$, 16.75 (same).

# Little urgency at farm talks

BY TIM DICKSON IN BRUSSELS

EUROPE'S FARM Ministers were showing few signs of urgency last night as they approached the end of a second day of negotiations in Brussels.

Mr Gerrit Braks, The Netherlands' Agriculture Minister claimed that there was a Franco-German axis to block progress during the talks, a point which his French counterpart, Mr François Guillaume, did not entirely dispel by emphasising repeatedly that the important decisions to control spending on the Common Agricultural Policy were tied to wider issues to be discussed next week by EC Foreign Ministers and early next month at the Copenhagen summit.

His comments privately irritated some diplomats and will have alarmed the European Commission, which recognises that acceptance of its so-called "budget stabilisers" package is an essential precondition of agreement by heads of state (notably Britain's Prime Minister, Mrs Margaret Thatcher) to Commission President Mr Jacques Delors' request for a substantial increase in the EC's resources.

Hardened observers pointed out that the meeting is likely to last for the rest of the week (possibly with a break tonight) and that French and West German intransigence in the early stages is a familiar tactical routine.

Plans to stabilise spending on sugar, wine, fruit and vegetables, tobacco and milk were among issues discussed yesterday with most member states apparently rehearsing their previous positions. Several countries last night voiced opposition to Commission plans to reduce compensation paid to dairy farmers who give up milk quotas after 1989.

The difficulty of finding solutions was underlined on Monday when the Commission toughened its original proposals to curb costs of the oilseed regime. This followed a new estimate that production this year had jumped more sharply than expected, including a likely 70 per cent increase in the output of colza.

# Danish fishing protest over level of prices

By Hilary Barnes in Copenhagen

ABOUT 60 trawlers crowded into Copenhagen harbour and the rest of the fleet stayed at home yesterday as fishermen protested against low prices in the fisheries industry.

Mr Lars P. Gammelgaard, the Danish Fisheries Minister, agreed to set up a fast-working committee due to report tomorrow, following meetings with leaders of fisheries' organisations.

The fishermen said that in view of quota restrictions on their catches and the present low prices, especially for fish used in industrial processing, substantial reductions in fleet capacity were essential.

They are demanding price subsidies, mothballing and scrapping of trawlers and a ban on fish imports from non-EC countries.

The minister has already tabled legislation to provide Dkr 400m ($34m), most of it to subsidise trawler scrapping, but the fishermen say this is not enough to solve their problems.

# Brazil reduces cocoa crop estimate

BY ANN CHARTERS IN SAO PAULO

CEPLAC, Brazil's cocoa crop planning commission, has scaled down its estimate of this year's cocoa crop from 2.79m bags of 60 kilos to 2.5m bags because of a drought in Bahia state, the country's principal cocoa-growing region.

Trade officials in the northeastern state regard the estimate as pessimistic, however, and expect the crop to yield between 2.7m and 2.9m bags. The recent lack of rain is expected to infuence the weight of growing pods, reducing the fruit yield, but not those already collected.

The drought could end the harvest in January, well before the "temporão" crop in May. This year's temporão yielded only 1.5m bags, the lowest in the last five years.

# WORLD COMMODITIES PRICES

## LONDON MARKETS

COPPER PRICES fell back under aggressive selling pressure on the London Metal Exchange yesterday morning, continuing the retracement which began late on Monday. The cash Grade A position closed £42.50 down at £1,412.50 a tonne, while the three month's position lost £14 to £,203.50 a tonne. In the absence of fresh fundamental news dealers attributed the falls to currency factors and a technical reaction to recent highs. The aluminium market was also affected by the dollar's early weakness, which helped it to continue its recent rally. But prices fell back in the afternoon as investors liquidated long positions, and cash standard metal closed only £1 up at £969 a tonne. Dollar-denominated higher grade aluminium fared better, ending $27.50 up at $1,732.50 a tonne.

**SPOT MARKETS**

| Crude oil (per barrel FOB December) | | + or - |
|---|---|---|
| Dubai | $16.40-16.45 | -0.05 |
| Brent Blend | $17.62-18.55 | -0.29 |
| Dubai | $18.30-18.35 | -0.37 |

| Oil products (NWE prompt delivery per tonne CIF September) | | + or - |
|---|---|---|
| Premium Gasoline | 180-182 | -2 |
| Gas Oil | 160-162 | -1.5 |
| Heavy Fuel Oil | 84-85 | -2 |
| Naphtha | 152-154 | -2.5 |
| *Petroleum Argus Estimates* | | |

| Other | | + or - |
|---|---|---|
| Gold (per troy oz)♣ | $464.75 | +2.75 |
| Silver (per troy oz)♣ | 672c | |
| Platinum (per troy oz) | $506.25 | +16.25 |
| Palladium (per troy oz) | $111.85 | +1.35 |
| Aluminium (free market) | $1750 | +80 |
| Copper (US Producer) | 113.25c | |
| Lead (US Producer) | 42.00c | |
| Nickel (free market) | 272c | -1 |
| Tin (European free market) | £3095 | -15 |
| Tin (Kuala Lumpur market) | 17.29r | -0.06 |
| Tin (New York) | 326.00c | +1.50 |
| Zinc (Euro. Prod. Price) | $820 | |
| Zinc (US Prime Western) | $43.375 | |
| Cattle (live weight)† | 99.00p | +0.22* |
| Sheep (dead weight)† | 188.24p | -10.36* |
| Pigs (live weight)† | 72.50p | -1.27* |
| London daily sugar (raw) | $190.40w | -1.40 |
| London daily sugar (white) | $152.00w | -2.50 |
| Tate and Lyle export price | £214.50 | -1.50 |
| Barley (English feed) | £108.50 | -6.75 |
| Maize (US No. 3 yellow) | £131.25 | |
| Wheat (US Dark Northern) | £90.75y | +0.25 |
| Rubber (spot)♥ | 62.50p | -1.00 |
| Rubber (Sept)♥ | 64.00p | -1.00 |
| Rubber (Oct) ♥ | 64.00p | -1.00 |
| Rubber (KL RSS No 1) | 261.00m | +1.50 |
| Coconut oil (Philippines)§ | $475.00w | |
| Palm Oil (Malaysian)§ | $367.50x | -0.50 |
| Copra (Philippines)§ | $320.00y | |
| Soyabeans (US) | $140.00 | -2.00 |
| Cotton "A" index | 77.20c | +0.10 |
| Wooltops (64s Super) | 480p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Dec/Jan. x-Jan. x-Nov/Dec.y-Dec. † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. § CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg

**COCOA £/tonne**

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 1075 | 1091 | 1083 1074 |
| Mar | 1106 | 1121 | 1115 1105 |
| May | 1125 | 1140 | 1135 1125 |
| Jly | 1147 | 1161 | 1158 1150 |
| Sep | 1165 | 1180 | 1175 1165 |
| Dec | 1192 | 1206 | 1201 1191 |
| Mar | 1217 | 1230 | 1227 1215 |

Turnover: 4068 (2289) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for November 16: 1432.72 (1426.78) .10 day average for November 17: 1432.93 (1433.74).

**COFFEE £/tonne**

| | Close | Previous | High/Low |
|---|---|---|---|
| Nov | 1247 | 1249 | 1255 1246 |
| Jan | 1279 | 1278 | 1289 1277 |
| Mar | 1303 | 1305 | 1315 1302 |
| May | 1326 | 1330 | 1339 1327 |
| Jly | 1350 | 1355 | 1357 1353 |
| Sep | 1372 | 1375 | 1377 1373 |
| Nov | 1395 | 1395 | 0 0 |

Turnover: 2943 (1785) lots of 5 tonnes
ICO indicator prices (US cents per pound) for November 16 :Comp. daily 115.45 (115.12) . 15 day average 114.05 (113.64).

**SUGAR ($ per tonne)**

| Raw | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 167.00 | 166.00 | 164.40 164.40 |
| Mar | 172.60 | 171.60 | 172.40 170.00 |
| May | 173.00 | 172.00 | 172.20 170.80 |
| Aug | 173.00 | 172.60 | 171.60 171.60 |
| Oct | 174.80 | 173.60 | 174.00 172.60 |
| Dec | 176.20 | 177.00 | |
| Mar | 181.00 | 182.00 | |
| **White** | **Close** | **Previous** | **High/Low** |
| Mar | 201.00 | 201.50 | 201.00 199.00 |
| May | 205.50 | 206.70 | 204.50 203.50 |
| Aug | 210.00 | 210.00 | 209.50 209.00 |
| Oct | 210.00 | 211.00 | 209.40 209.00 |
| Dec | 212.00 | 212.00 | 212.50 209.50 |
| Mar | 217.50 | 217.50 | 213.00 213.00 |
| May | 222.00 | 225.00 | 216.00 216.00 |

Turnover: Raw 1540 (1360) lots of 50 tonnes. White 2046 (1146).
Paris- White (FFr per tonne):Mar 1157, May 1180, Aug 1220, Oct 1225, Dec 1235, Mar 1270.

**GAS OIL $/tonne**

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 160.50 | 162.25 | 161.25 159.50 |
| Jan | 159.25 | 161.25 | 160.25 158.50 |
| Feb | 158.00 | 159.75 | 158.00 156.75 |
| Mar | 154.00 | 155.25 | 154.00 153.50 |
| Apr | 151.75 | | 153.00 151.50 |

Turnover 4351 (2266) lots of 100 tonnes

**GRAINS £/tonne**

| Wheat | Close | Previous | High/Low |
|---|---|---|---|
| Nov | 112.90 | 112.95 | 113.00 112.65 |
| Jan | 114.40 | 114.95 | 114.90 114.45 |
| Mar | 116.50 | 117.05 | 117.10 116.50 |
| May | 118.65 | 119.15 | 119.10 118.65 |
| Jly | 121.60 | 122.15 | 122.00 121.50 |
| Sep | 102.25 | 102.25 | 102.25 |
| Nov | 104.25 | 104.25 | |
| **Barley** | **Close** | **Previous** | **High/Low** |
| Nov | 105.85 | 106.00 | 106.20 105.90 |
| Jan | 107.85 | 108.20 | 108.00 107.90 |
| Mar | 109.85 | 110.25 | 110.10 109.85 |
| May | 111.90 | 112.10 | |
| Sep | 98.95 | 99.00 | |
| Nov | 100.85 | 101.00 | |

Turnover: Wheat 541 (424) , Barley 192 (228) . lots of 100 tonnes.

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Ring turnover 0 tonne |
| Cash | 1725-40 | 1700-10 | | 1740-60 | | |
| 3 months | 1670-90 | 1660-70 | 1695/1680 | 1680-85 | 1670-90 | 2,559 lots |
| **Aluminium,99.5% purity (£ per tonne)** | | | | | | Ring turnover 19,975 tonne |
| Cash | 968-70 | 967-9 | 975 | 974-5 | | |
| 3 months | 932-3 | 933-4 | 941/932 | 936-7 | 934-5 | 64,213 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Ring turnover 35,775 tonne |
| Cash | 1412-3 | 1450-60 | 1415/1385 | 1390-5 | | |
| 3 months | 1203-4 | 1217-8 | 1202/1194 | 1196-7 | 1202-3 | 85,325 lots |
| **Copper, Standard (£ per tonne)** | | | | | | Ring turnover 75 tonne |
| Cash | 1340-80 | 1360-80 | | 1330-50 | | |
| 3 months | 1195-200 | 1200-10 | 1197 | 1195-7 | | 36 lots |
| **Silver (US cents/fine ounce)** | | | | | | Ring turnover 0 ozs |
| Cash | 665-8 | 662-5 | | 667-71 | | |
| 3 months | 677-81 | 674-7 | | 679-83 | 680-5 | 625 lots |
| **Lead (£ per tonne)** | | | | | | Ring turnover 14,900 tonne |
| Cash | 373-4 | 368-8 | 376/375 | 375-5.5 | | |
| 3 months | 349-50 | 348-9 | 356/347 | 354.75-55 | 351-2 | 12,834 lots |
| **Nickel (£ per tonne)** | | | | | | Ring turnover 1,986 tonne |
| Cash | 3295-305 | 3330-40 | 3350/3315 | 3310-5 | | |
| 3 months | 3265-70 | 3310-25 | 3290/3270 | 3280-5 | 3265-85 | 8,264 lots |
| **Zinc (£ per tonne)** | | | | | | Ring turnover 14,700 tonne |
| Cash | 518-20 | 521-3 | | 519-21 | | |
| 3 months | 505-6 | 508-9 | 507/495 | 505-6 | 505-6 | 15,092 lots |

**POTATOES £/tonne**

| | Close | Previous | High/Low |
|---|---|---|---|
| Feb | 101.30 | 100.50 | |
| Mar | 92.00 | 88.50 | |
| Apr | 148.90 | 150.00 | 150.00 148.00 |
| May | 161.80 | 162.90 | 163.50 162.50 |
| Nov | 75.00 | 75.00 | |
| Feb | 90.00 | 90.00 | |

Turnover 226 (749) lots of 100 tonnes.

**SOYABEAN MEAL £/tonne**

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 140.50 | 142.00 | 140.00 140.00 |
| Feb | 135.00 | 142.00 | 138.50 138.50 |
| Apr | 137.50 | 139.50 | 138.00 137.00 |
| Jun | 129.00 | 131.00 | |
| Aug | 127.00 | 129.00 | |
| Oct | 127.00 | 130.00 | |
| Dec | 129.00 | 131.00 | |

Turnover 53 (218) lots of 100 tonnes.

**FREIGHT FUTURES £/index point**

| | Close | Previous | High/Low |
|---|---|---|---|
| Jan | 1189.0 | 1176.0 | 1195.0 1180.0 |
| Apr | 1232.0 | 1217.0 | 1235.0 1225.0 |
| Jly | 1104.5 | 1090.0 | 1104.5 1104.5 |
| BFI | 1154.0 | 1155.5 | |

Turnover 142 (356)

**COTTON**
Spot and shipment sales for the week ending November 13 amounted to 472 tonnes against 1186 tonnes in the previous week. Trading was sporadic with sales figures remaining fairly low.
**JUTE**
November/December c and f Dundee BTC $570, BWC $560, BTD $495, BWD $485; c and f Antwerp BTC $540, BWC $530, BWD $475, BTD $485.

**LONDON BULLION MARKET**

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 464½-465 | 263¼-263½ |
| Opening | 463¾-464¼ | 262¾-263 |
| Morning fix | 463.55 | 263.755 |
| Afternoon fix | 464.60 | 263.977 |
| Day's high | | |
| Day's low | | |

| Coins | $ price | £ equivalent |
|---|---|---|
| US Eagle | 477-482 | 270¼-273¼ |
| Mapleleaf | 477-482 | 270¼-273¼ |
| Krugerrand | 463-468 | 262½-265¼ |
| 1/2 Krug | 240-249 | 136-141 |
| 1/4 Krug | 119-127 | 67½-72 |
| Angel | 473-478 | 268-271 |
| 1/10 Angel | 47-52 | 27-29¾ |
| New Sov. | 109-111 | 61¾-63 |
| Old Sov. | 109-111½ | 61¾-63¼ |
| Britannia | 477-482 | 270¼-273¼ |
| Noble Plat. | 513-522 | 292¼-297½ |

| Silver fix | p/fine oz | US cts equiv |
|---|---|---|
| Spot | 383.10 | 672.80 |
| 3 months | 391.55 | 685.20 |
| 6 months | 400.60 | 698.80 |
| 12 months | 419.15 | 728.60 |

**LONDON METAL EXCHANGE TRADED OPTIONS**

| Aluminium (99.5%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Jan | Mar | Jan | Mar |
| 1600 | | | | 89½ |
| 1675 | 69½ | | | |

| Copper (Grade A) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Jan | Mar | Jan | Mar |
| 2050 | | 162 | | |
| 2200 | 119½ | | | |

| Copper (Grade A) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price £ tonne | Jan | Mar | Jan | Mar |
| 1250 | 44 | | | |

## US MARKETS

THE PRECIOUS METALS continued quiet, reports Drexel Burnham Lambert. Light trade and commission house buying held prices marginally firmer in both gold and silver in the face of local selling, while in platinum commission house and local buying was insufficient to break overhead resistance. Copper was quiet, though liquidation in the December contract failed to prevent further strength in the market. Fund and trade hedge selling depressed the energy futures, the only buying coming from profit-taking. Trade buying of the December-March switch firmed coffee in the face of commission house selling. Fund selling was noted at the highs. Cocoa closed higher against the weaker US dollar, fund selling being well absorbed. Sugar closed higher on a combination of trade buying in the March-October switch, local short-covering and commission house buying on the close. Reports that China may be interested in buying 300,000 bales of US cotton firmed the futures market which featured trade and technical buying. Publication of a bullish cattle-on-feed report pushed live cattle futures to limit-up, while pork bellies and hogs also rallied in sympathy and against firmer cash prices. Chinese interest also firmed wheat futures, while technical buying steadied maize. Soyabeans and oil fell on initial professional selling, but recovered on short-covering.

## New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low |
|---|---|---|---|
| Nov | 464.9 | 463.3 | 0 0 |
| Dec | 465.6 | 464.3 | 466.2 464.8 |
| Jan | 468.8 | 467.3 | 0 0 |
| Feb | 471.8 | 470.2 | 472.4 470.5 |
| Apr | 477.5 | 475.9 | 478.0 476.5 |
| Jun | 483.4 | 481.6 | 484.0 482.1 |
| Aug | 489.3 | 487.6 | 488.5 488.5 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High/Low |
|---|---|---|---|
| Nov | 502.6 | 504.8 | 507.0 502.5 |
| Dec | 504.8 | 507.9 | 0 0 |
| Jan | 507.1 | 509.3 | 515.0 505.5 |
| Apr | 514.8 | 517.0 | 523.0 515.0 |
| Jly | 522.9 | 525.0 | 529.5 524.0 |
| Oct | 530.9 | 533.0 | 539.0 532.0 |
| Jan | 539.4 | 541.5 | 0 0 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low |
|---|---|---|---|
| Nov | 671.2 | 661.7 | 666.0 666.0 |
| Dec | 673.0 | 663.5 | 676.0 665.0 |
| Jan | 677.0 | 667.4 | 0 0 |
| Mar | 687.0 | 677.2 | 691.0 682.5 |
| May | 696.0 | 686.0 | 699.5 694.0 |
| Jly | 705.1 | 694.8 | 708.0 702.0 |
| Sep | 714.6 | 704.2 | 717.0 710.0 |
| Dec | 729.4 | 718.8 | 731.0 725.0 |
| Jan | 734.2 | 723.5 | 0 0 |

**COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low |
|---|---|---|---|
| Nov | 102.35 | 100.55 | 0 0 |
| Dec | 100.10 | 98.30 | 101.30 99.10 |
| Jan | 97.50 | 96.00 | 0 0 |
| Mar | 92.35 | 91.50 | 92.80 91.80 |
| May | 87.25 | 86.80 | 87.80 87.40 |
| Jly | 85.00 | 84.70 | 85.30 84.80 |
| Sep | 84.70 | 84.50 | 84.90 84.90 |
| Dec | 84.50 | 84.30 | 84.70 84.30 |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 18.32 | 18.66 | 18.50 18.28 |
| Jan | 18.29 | 18.58 | 18.40 18.25 |
| Feb | 18.24 | 18.49 | 18.34 18.20 |
| Mar | 18.22 | 18.45 | 18.30 18.18 |
| Apr | 18.17 | 18.43 | 18.25 18.14 |
| May | 18.13 | 18.35 | 18.21 18.12 |
| Jun | 18.12 | 18.32 | 18.18 18.09 |
| Jly | 18.12 | 18.15 | 18.15 18.05 |
| Aug | 18.02 | 18.10 | 18.02 17.93 |
| Sep | 18.00 | 18.15 | 18.00 18.00 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 55.15 | 56.00 | 55.50 54.85 |
| Jan | 54.50 | 55.95 | 54.70 54.20 |
| Feb | 53.85 | 54.40 | 53.95 53.50 |
| Mar | 51.60 | 52.00 | 51.70 51.20 |
| Apr | 49.80 | 50.10 | 49.85 49.45 |
| May | 0 | 48.95 | 48.85 48.50 |
| Jun | 48.25 | 48.50 | 48.25 48.20 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 1786 | 1778 | 1795 1780 |
| Mar | 1802 | 1796 | 1813 1795 |
| May | 1830 | 1826 | 1843 1825 |
| Jly | 1858 | 1854 | 1868 1854 |
| Sep | 1889 | 1885 | 1897 1890 |
| Dec | 1926 | 1930 | 0 0 |
| Mar | 1963 | 1960 | 0 0 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 126.92 | 125.57 | 127.50 126.75 |
| Mar | 130.96 | 131.19 | 131.80 130.90 |
| May | 132.79 | 133.00 | 133.50 132.75 |
| Jly | 134.20 | 134.50 | 134.90 134.10 |
| Sep | 135.88 | 137.00 | 136.00 135.85 |
| Dec | 136.00 | 137.50 | 137.00 137.00 |
| Mar | 138.28 | 136.80 | 0 0 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low |
|---|---|---|---|
| Jan | 7.10 | 7.14 | 7.10 7.01 |
| Mar | 7.66 | 7.61 | 7.67 7.52 |
| May | 7.67 | 7.63 | 7.68 7.57 |
| Jly | 7.68 | 7.65 | 7.70 7.58 |
| Oct | 7.77 | 7.74 | 7.77 7.67 |
| Jan | 7.38 | 7.98 | 0 0 |
| Mar | 8.09 | 7.99 | 8.05 7.99 |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 70.53 | 69.87 | 70.85 69.35 |
| Mar | 71.86 | 71.19 | 72.20 70.70 |
| May | 72.58 | 72.00 | 73.00 71.65 |
| Jly | 72.50 | 72.00 | 72.90 71.80 |
| Oct | 66.90 | 66.80 | 66.90 66.10 |
| Dec | 65.75 | 65.30 | 66.00 65.00 |
| Mar | 66.86 | 66.40 | 0 0 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low |
|---|---|---|---|
| Jan | 162.10 | 158.75 | 162.50 157.30 |
| Mar | 160.00 | 156.00 | 160.10 155.70 |
| May | 159.50 | 155.70 | 160.00 153.90 |
| Jly | 159.00 | 155.40 | 159.25 155.70 |
| Sep | 158.95 | 155.40 | 158.00 155.55 |
| Jan | 155.00 | 151.40 | 153.20 153.00 |
| Mar | 155.00 | 151.40 | 0 0 |

**INDICES**

| REUTERS (Base: September 18 1931 = 100) | | | |
|---|---|---|---|
| Nov 16 | Nov 13 | mnth ago | yr ago |
| 1700.5 | 1683.3 | 1679.8 | 1617.1 |

| DOW JONES (Base: September 18 1931 = 100) | | | |
|---|---|---|---|
| Spot | 127.62 | 126.85 | 119.08 |
| Futures | 130.47 | 130.95 | 117.38 |

## Chicago

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 17.70 | 17.70 | 17.88 17.60 |
| Jan | 17.84 | 17.87 | 18.07 17.78 |
| Mar | 18.17 | 18.22 | 18.42 18.14 |
| May | 18.48 | 18.54 | 18.70 18.45 |
| Jly | 18.70 | 18.75 | 18.87 18.70 |
| Aug | 18.80 | 18.90 | 18.95 18.80 |
| Sep | 18.85 | 19.00 | 19.10 18.85 |
| Oct | 18.90 | 19.00 | 19.10 18.90 |
| Dec | 19.12 | 19.10 | 19.20 19.10 |

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low |
|---|---|---|---|
| Nov | 564/4 | 558/4 | 565/0 555/0 |
| Jan | 574/0 | 566/6 | 574/4 563/0 |
| Mar | 581/4 | 574/4 | 582/0 571/0 |
| May | 586/2 | 578/6 | 586/4 575/0 |
| Jly | 588/6 | 581/4 | 589/0 577/4 |
| Aug | 585/4 | 579/0 | 585/4 577/0 |
| Sep | 579/0 | 569/4 | 579/4 568/0 |
| Nov | 578/2 | 570/2 | 578/4 568/4 |
| Jan | 584/0 | 576/0 | 0 0 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 200.3 | 200.4 | 201.8 197.0 |
| Jan | 192.8 | 192.5 | 194.0 189.5 |
| Mar | 185.7 | 184.6 | 186.0 182.3 |
| May | 179.5 | 179.0 | 179.5 176.5 |
| Jly | 176.0 | 176.0 | 176.5 174.3 |
| Aug | 175.2 | 175.2 | 176.0 173.5 |
| Sep | 174.5 | 175.0 | 175.0 174.0 |
| Oct | 173.6 | 174.5 | 173.6 173.5 |
| Dec | 172.4 | 174.0 | 174.5 172.4 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 186/0 | 183/0 | 186/0 183/0 |
| Mar | 192/6 | 190/0 | 192/6 190/0 |
| May | 197/2 | 195/0 | 197/2 194/4 |
| Jly | 200/2 | 198/2 | 200/6 198/4 |
| Sep | 197/4 | 195/4 | 198/4 196/6 |
| Dec | 196/0 | 194/6 | 196/0 193/4 |
| Mar | 201/6 | 200/4 | 201/6 200/2 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 293/2 | 285/4 | 295/4 285/0 |
| Mar | 304/2 | 296/6 | 307/0 299/4 |
| May | 305/0 | 298/4 | 308/0 299/0 |
| Jly | 292/0 | 285/0 | 294/0 288/0 |
| Sep | 296/4 | 289/0 | 296/0 294/0 |
| Dec | 305/0 | 298/0 | 306/0 302/4 |

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 65.30 | 63.80 | 65.30 64.70 |
| Feb | 62.02 | 60.52 | 62.02 61.20 |
| Apr | 64.42 | 62.92 | 64.42 63.45 |
| Jun | 64.55 | 63.32 | 64.72 63.65 |
| Aug | 62.35 | 61.65 | 62.70 62.00 |
| Oct | 61.65 | 60.80 | 62.00 61.20 |
| Dec | 63.35 | 62.20 | 63.35 62.50 |

**LIVE HOGS 30,000 lb; cents/lbs**

| | Close | Previous | High/Low |
|---|---|---|---|
| Dec | 44.70 | 43.57 | 44.85 44.00 |
| Feb | 43.65 | 42.65 | 44.02 43.00 |
| Apr | 39.82 | 39.26 | 40.25 39.70 |
| Jun | 42.67 | 42.30 | 43.15 42.55 |
| Jly | 43.00 | 42.40 | 43.35 42.75 |
| Aug | 42.00 | 41.37 | 42.30 41.85 |
| Oct | 39.17 | 38.65 | 39.25 38.85 |
| Dec | 39.65 | 39.05 | 39.65 39.55 |

**PORK BELLIES 38,000 lbs; cents/lb**

| | Close | Previous | High/Low |
|---|---|---|---|
| Feb | 56.95 | 55.67 | 57.10 55.80 |
| Mar | 56.27 | 55.15 | 56.95 55.80 |
| May | 57.62 | 56.50 | 57.95 56.80 |
| Jly | 57.85 | 56.90 | 58.20 57.05 |

# CURRENCIES, MONEY & CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar remains nervous

The dollar remained within a narrow band after losing ground early yesterday. Traders were concerned about the lack of progress in talks between US congress and the administration to try and cut the US budget deficit.

Various rumours suggested that there were problems in agreeing a solution but while US politicians seemed convinced that any sort of agreement was a result, speculators seemed likely to sell the dollar heavily unless a cut of more than £30bn was agreed.

The Friday deadline sees an automatic cut of $23bn under the Gramm-Rudman amendment and unless a larger cut now and a credible agreed reduction for next year is announced then most dealers were prepared to see the dollar fall sharply.

Pressure was increasing on the US to find some sort of solution because current talks were attracting the world's financial spotlight. In addition comments made on Monday by Mrs Thatcher, although criticising West Germany and Japan for their large trade surpluses, made little attempt to disguise the importance of achieving a significant reduction in US budget and trade deficits.

The dollar closed at DM1.6935 from DM1.7025 and Y135.70 compared with Y136.50. Elsewhere it finished at SFr1.3900 from SFr1.4015 and FFr5.7325 from FFr5.7575. On Bank of England figures, the dollar's exchange rate index fell from 97.7 to 96.8.

**STERLING-Trading range against the dollar in 1987 is 1.7950 to 1.4710. October average 1.6620. Exchange rate index 75.0 from 74.9 at the opening and 74.8 on Monday. The six months ago figure was 73.6.**

The pound finished below the day's highs but was still up from Monday. Its improvement was mainly at the expense of a weak dollar. UK PSBR figures which showed a repayment of £1bn in October and a cumulative borrowing requirement of just $500m for the financial year so far were viewed as encouraging but within market expectations.

The pound closed at $1.7645 up from $1.7515 and DM2.9875 compared with DM2.9825. It was also higher against the yen at Y239.50 from Y239.0. Elsewhere it finished at SFr2.4525 from SFr2.4550 and FFr10.1150 against FFr10.0850.

**D-MARK-Trading range against the dollar in 1987 is 1.9305 to 1.6590. October average 1.8011. Exchange rate index 150.3 against 147.5 six months ago.**

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM1.6972 from DM1.7159 on Monday.

Overall sentiment remained bearish because dealers were less than certain that the current talks between Congress and the US administration would result in a cut in the US budget deficit significantly above the $23bn due on Friday.

Most traders were less than optimistic, suggesting that any reduction of less than $30bn would be interpreted as being extremely bearish for the dollar.

**JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 134.20. October average 143.27. Exchange rate index 228.3 against 226.5 six months ago.**

Trading was extremely nervous and volatile in Tokyo following comments by President Reagan that a rise in personal taxation would be a mistake. The dollar closed at Y136.05 compared with Y137.15 in New York and Y136.85 in Tokyo on Monday.

Suggestions that talks between Congress and the US administration had broken down hit the dollar hard although it recovered as further statements denied this.

Against this background the dollar retained a bearish undertone because most dealers saw little prospect of a signifant cut in the deficit being agreed before the $23bn cuts are implemented on Friday.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu Nov.17 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.4582 | 43.1969 | +1.74 | +0.97 | ±1.5344 |
| Danish Krone | 7.85212 | 7.95238 | +1.28 | +0.51 | ±1.6404 |
| German D-Mark | 2.05853 | 2.06517 | +0.32 | -0.45 | ±1.0981 |
| French Franc | 6.90403 | 6.98581 | +1.18 | +0.41 | ±1.3674 |
| Dutch Guilder | 2.31943 | 2.32523 | +0.25 | -0.52 | ±1.5012 |
| Irish Punt | 0.768411 | 0.776009 | +0.99 | +0.22 | ±1.6684 |
| Italian Lira | 1483.58 | 1515.32 | +2.14 | +1.82 | ±4.0752 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### £ IN NEW YORK

| Nov 17 | | Previous Close |
|---|---|---|
| £ Spot | 1.7630-1.7640 | 1.7385-1.7395 |
| 1 month | 0.30-0.29pm | 0.31-0.29pm |
| 3 months | [illegible] | [illegible] |
| 12 months | [illegible] | [illegible] |

Forward premiums and discounts apply to the US dollar

### POUND SPOT- FORWARD AGAINST THE POUND

### STERLING INDEX

### CURRENCY RATES

### DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

### CURRENCY MOVEMENTS

### EURO-CURRENCY INTEREST RATES

### OTHER CURRENCIES

| | £ | $ |
|---|---|---|
| Finland | 7.2880-7.3015 | 4.1430-4.1450 |
| Greece | 231.80-235.90 | 132.15-134.35 |
| Hong Kong | 13.7305-13.7435 | 7.8020-7.8030 |
| Iran | 121.00* | 68.00* |
| Korea(Sth) | 1383.05-1395.55 | 795.70-802.10 |
| Kuwait | 0.49100-0.49150 | 0.27885-0.27895 |
| Luxembourg | 62.50-62.60 | 35.40-35.50 |
| Malaysia | 4.4015-43.4125 | 2.5040-2.5055 |
| Mexico | 303.70-3033.30 | 1721.00-1722.00 |
| N. Zealand | 2.8245-2.8320 | 1.6040-1.60765 |
| Saudi Ar. | 6.6000-6.6050 | 3.7480-3.7485 |
| Singapore | 3.5980-3.6055 | 2.0435-2.0465 |
| S. Af (Cm) | 3.5020-3.5180 | 1.9920-1.9960 |
| S. Af (Fn) | 5.6925-5.8670 | 3.2260-3.3335 |
| Taiwan | 51.85-52.10 | 29.70-30.80 |
| U.A.E. | 6.4670-6.4730 | 3.6725-3.6735 |

*Selling rate

### EXCHANGE CROSS RATES

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| £ / $ | 1. / 0.567 | 1.765 / 1. | 2.988 / 1.694 | 239.5 / 135.7 | 10.12 / 5.733 | 2.453 / 1.390 | 3.365 / 1.907 | 2192 / 1242 | 2.318 / 1.313 | 62.55 / 35.45 |
| DM / YEN | 21335 / 4.174 | 0.591 / 7.367 | 1. / 12.47 | 80.17 / 1000. | 3.386 / 42.23 | 0.821 / 10.24 | 1.126 / 14.05 | 733.6 / 9150 | 0.776 / 9.676 | 20.94 / 261.2 |
| F Fr. / S Fr. | 0.989 / 0.408 | 1.744 / 0.719 | 2.954 / 1.218 | 236.8 / 97.66 | 10. / 4.124 | 2.425 / 1. | 3.327 / 1.372 | 2167 / 893.6 | 2.291 / 0.945 | 61.84 / 25.50 |
| H FL. / Lira | 0.297 / 0.456 | 0.524 / 0.805 | 0.888 / 1.363 | 71.17 / 109.3 | 3.006 / 4.616 | 0.729 / 1.119 | 1. / 1.535 | 651.3 / 1000 | 0.689 / 1.057 | 18.59 / 28.54 |
| C $ / B Fr. | 0.431 / 1.599 | 0.761 / 2.821 | 1.289 / 4.776 | 103.3 / 382.9 | 4.365 / 16.17 | 1.058 / 3.921 | 1.452 / 5.380 | 945.6 / 3504 | 1. / 3.705 | 26.99 / 100 |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES

# Renewed fears on US budget

FIXED INTEREST futures contracts rose on the London International Financial Futures Exchange, in the reaction to President Reagan's comments about the US budget talks, and his continued opposition to raising taxation.

This renewed doubts about the prospects for a satisfactory cut in the budget deficit, sending the dollar and equity markets into retreat. Expectations that this year's deficit will be reduced by about $30bn were said to be already built into futures prices.

Long term gilts for December opened higher at 122-03, and gained a boost from the repayment of £1bn in the October UK public sector borrowing requirement.

The contract touched a peak of 123-00, and closed at 122-29, against 121-19 previously.

Trading in US Treasury bonds was made nervous by the lack of decision on the budget deficit, as Friday's Gramm Rudman deadline approaches. December bonds on Liffe rose to 89-03 from 88-26.

December FTSE 100 index futures opened weaker at 168.00, as the cash index fell 11.1 to 1673.6 at the start of London trading.

Sentiment was not helped by a fall in US share prices. In New York the Dow Jones Industrial Average fell below 1900 in early trading, a loss of over 50 points from the previous close. There were also losses in early stock index futures in Chicago.

On Liffe December FTSE closed at 165.60, compared with 171.00 on Monday.

In Tokyo Japanese government bond prices rose sharply on a technical correction after seven days of decline.

Japanese bonds opened firmer at 105.65 for December delivery on Liffe and closed just below the day's peak, at 106.14, against 104.10 previously.

### LIFFE LONG GILT FUTURES OPTIONS

### LIFFE US TREASURY BOND FUTURES OPTIONS

### LIFFE FT-SE 100 INDEX FUTURES OPTIONS

### LIFFE £/$ OPTIONS

### LIFFE $/£ OPTIONS

### PHILADELPHIA SE £/$ OPTIONS

### LIFFE- EURODOLLAR OPTIONS

### LONDON

### CHICAGO

### SWISS FRANC (IMM)
SFr 125,000 $ per SFr

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 0.7220 | 0.7230 | 0.7203 | 0.7227 |
| Mar | 0.7281 | 0.7290 | 0.7264 | 0.7286 |
| Jun | - | 0.7360 | - | 0.7349 |
| Sep | - | 0.7420 | 0.7393 | 0.7419 |

### STANDARD & POORS 500 INDEX
$500 times index

| | Latest | High | Low | Prev. |
|---|---|---|---|---|
| Dec | 242.90 | 245.60 | 242.90 | 247.60 |
| Mar | 244.40 | 246.00 | 244.40 | 249.00 |
| Jun | 246.40 | 246.90 | 246.40 | 250.80 |
| Sep | 249.10 | 254.90 | 249.10 | 253.40 |

## MONEY MARKETS

# London rates ease

THERE WAS a slight easing of interest rates on the London money market yesterday, but no change in the underlying level, which continues to underpin bank base rates of 9 p.c.

The fall to 9-8⅞ p.c. from 9¹⁄₁₆-8¹⁵⁄₁₆ p.c. in three-month interbank was seen as a reaction to a downturn in equity prices, but attention tended to remain focused across the Atlantic on the US budget deficit talks.

A repayment of £1bn in the October UK public sector borrowing requirement was within market expectations, and had little impact.

The Bank of England initially forecast a flat position on the money market, but revised this to a surplus of around £100m in the afternoon. The authorities did not operate in the market durung the day.

**UK clearing bank base lending rate 9 per cent from November 5**

Bills maturing in official hands, repayment of late assistance and a take up of Treasury bills drained £288m. This was balanced by Exchequer transactions adding £245m to liquidity, a fall in the note circulation of £45m, and bank balances above target of £10m.

**In Brussels** the Belgian National Bank cut its three-month Treasury certificate rate by 0.15 p.c. to 7 p.c. One-month, two-month, and four-month rates were left unchanged.

The move was intended to to bring the three-month rate into line with money market rates. On October 16 three-month was increased to 7.15 p.c. from 6.65 p.c.

It was also seen as an expression of confidence in the underlying strength of the Belgian franc. Over the past month yields on long tarm public paper have declined to around 8.5 p.c. from 9 p.c. This was encouraged by lower West German rates.

**In Frankfurt** the West German Bundesbank annnounced it will not hold a press conference after Thursday's regular council meeting. Mr Karl Otto Poehl, president of the Bundesbank, will chair the meeting.

**In Tokyo** the Bank of Japan bought Y600bn of commercial bills, supplying liquidity to the money market, in the face of a Y4,600bn credit shortage. The shortage was largely the result of payment for NTT shares sold last week. Another Y2,400bn was supplied to the market on the expiry of Bank of Japan financing bill repurchase agreements.

The action by the central bank was generally accepted as neutral, and did not represent a change in monetary policy. A sharp rise of 11.7 p.c. in October broadly defined money supply of M2 plus certificates of deposit will also not lead to any change in policy, according to a Bank of Japan official.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Nov 17) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 7½ | offer 7⅝ | bid 7⅞ | offer 7⅞ |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK** (Lunchtime)

| | |
|---|---|
| Prime rate | 8.75 |
| Broker loan rate | 8.00 |
| Fed.funds | 6⅝ |
| Fed.funds at intervention | 7⅛ |

| Nov.17 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 3.50-3.60 | 3.50-3.65 | 3.80-3.95 | [illegible] | [illegible] | [illegible] |
| Paris | 8.5625 | 8.6875 | 8.6875 | [illegible] | [illegible] | [illegible] |
| Zürich | 1.00 | 3.25 | - | [illegible] | [illegible] | [illegible] |
| Amsterdam | 4.5625 | 4.9375 | - | [illegible] | [illegible] | [illegible] |
| Tokyo | 3.53125 | 3.84375 | - | [illegible] | [illegible] | [illegible] |
| Milan | 10.25 | 11.375 | - | [illegible] | [illegible] | [illegible] |
| Brussels | 4.65 | 6.6875 | - | [illegible] | [illegible] | [illegible] |
| Dublin | 8.75 | 9.125 | 9.25 | [illegible] | [illegible] | [illegible] |

### LONDON MONEY RATES

| Nov.17 | Overnight | 7 days notice | One Month |
|---|---|---|---|
| Interbank Offer | 9.125 | 8.9375 | 9.00 |
| Interbank Bid | 5.00 | 8.625 | 8.8125 |
| Sterling CDs | - | - | 8.9375 |
| Local Authority Deps. | 8.50 | 8.8125 | 9.00 |
| Local Authority Bonds | - | - | 9.4375 |
| Discount Mkt Deps. | 7.75 | 8.625 | 8.75 |
| Company Deposits | 8.875 | 8.875 | 9.125 |
| Finance House Deposits | - | - | 8.9375 |
| Treasury Bills (Buy) | - | - | 8.75 |
| Bank Bills (Buy) | - | - | 8.75 |
| Fine Trade Bills (Buy) | - | - | 9.375 |
| Dollar CDs | - | - | 6.95-6.90 |
| SDR Linked Dep Offer | - | - | 6.125 |
| SDR Linked Dep Bid | - | - | 5.875 |
| ECU Linked Dep Offer | - | - | 7.1875 |
| ECU Linked Dep Bid | - | - | 7.0625 |







## Company Notices







## Legal Notices









## Art Galleries

# EUROPEAN OPTIONS EXCHANGE

| Series | | Nov 87 Vol. | Last | Feb 88 Vol. | Last | May 88 Vol. | Last | Stock |
|---|---|---|---|---|---|---|---|---|
| GOLD C | $440 | 74 | 24B | 17 | 38 | — | — | $464.60 |
| GOLD C | $460 | 79 | 5.60 | 25 | 24.10 | 13 | 36 | " |
| GOLD C | $480 | 49 | 0.30 | 26 | 15 | — | — | " |
| GOLD C | $500 | — | — | 86 | 9.90 | — | — | " |
| GOLD P | $420 | — | — | 218 | 3.50 | 38 | 7.50 | " |
| GOLD P | $440 | — | — | 46 | 6.50 | 3 | 12 | " |
| GOLD P | $460 | — | — | 600 | 12 | 10 | 17 | " |
| GOLD P | $500 | 25 | 37 | — | — | — | — | " |
| | | Nov. 87 | | Dec. 87 | | Jan. 88 | | |
| EOE Index C | Fl.180 | — | — | 18 | 11.50 | 95 | 15 | Fl.179.95 |
| EOE Index C | Fl.205 | 7 | 0.50 | 105 | 4.50 | — | — | " |
| EOE Index P | Fl.180 | — | — | 552 | 16 | 25 | 16 | " |
| EOE Index P | Fl.205 | 410 | 25B | 44 | 29.50 | 5 | 32 | " |
| S/Fl C | Fl.185 | — | — | 30 | 6.80 | — | — | Fl.190.92 |
| S/Fl C | Fl.190 | 196 | 1.50 | 50 | 3.40 | 32 | 4.40 | " |
| S/Fl C | Fl.195 | 110 | 0.20 | 191 | 1.50 | 41 | 2.10 | " |
| S/Fl C | Fl.200 | — | — | 110 | 0.70 | — | — | " |
| S/Fl P | Fl.185 | 2 | 0.10 | 244 | 1.50 | 31 | 2.50 | " |
| S/Fl P | Fl.190 | 30 | 0.70B | 144 | 3.50 | 137 | 4.80 | " |
| S/Fl P | Fl.195 | 13 | 4.70 | 66 | 5.50 | 5 | 7.50 | " |
| | | Mar. 88 | | June 88 | | Sept. 88 | | |
| S/Fl C | Fl.180 | 33 | 11.50A | — | — | 140 | 12 | Fl.190.92 |
| S/Fl C | Fl.200 | 81 | 1.80 | — | — | 5 | 3.50 | " |
| S/Fl P | Fl.180 | — | — | 50 | 3.20 | — | — | " |
| S/Fl P | Fl.185 | 26 | 3.90 | 3 | 5.70 | — | — | " |
| S/Fl P | Fl.190 | 53 | 5.70 | — | — | — | — | " |
| | | Jan. 88 | | Apr. 88 | | Jul. 88 | | |
| ABN C | Fl.50 | 36 | 0.50 | 272 | 1.40 | 10 | 2 | Fl.42 |
| ABN P | Fl.40 | 743 | 1.90 | 68 | 3.10 | 11 | 4.20 | " |
| AEGON C | Fl.85 | 100 | 0.70 | — | — | — | — | Fl.58.20 |
| AEGON P | Fl.60 | 2 | 5.50 | 23 | 6.30 | — | — | " |
| AHOLD C | Fl.75 | 179 | 4.50 | 2 | 5A | — | — | Fl.66.50 |
| AHOLD P | Fl.70 | 21 | 9.50B | — | — | — | — | " |
| AKZO C | Fl.100 | 247 | 6B | 4 | 11.80 | — | — | Fl.93 |
| AKZO P | Fl.90 | 298 | 7 | 37 | 10 | 2 | 14 | " |
| AMEV C | Fl.50 | 74 | 1.50 | 7 | 2.70 | — | — | Fl.43.50 |
| AMRO C | Fl.85 | 100 | 0.50 | — | — | 1 | 1.70 | Fl.62.50 |
| AMRO P | Fl.60 | 209 | 2.50 | 9 | 4 | — | — | " |
| ELSEVIER C | Fl.45 | 132 | 3 | 46 | 4.20 | 7 | 5.50 | Fl.39.80 |
| ELSEVIER P | Fl.55 | — | — | — | — | 47 | 19B | " |
| GIST-BROC. C | Fl.45 | — | — | 111 | 1.70 | — | — | Fl.31.50 |
| GIST-BROC. P | Fl.30 | 55 | 2.70 | 21 | 4 | 5 | 5 | " |
| HEINEKEN C | Fl.140 | 43 | 7.50 | 14 | 12.50 | 20 | 14 | Fl.131.50 |
| HEINEKEN P | Fl.110 | 101 | 5 | 15 | 7 | — | — | " |
| HOOGOVENS C | Fl.30 | 114 | 3 | 4 | 4.80 | — | — | Fl.28.90 |
| HOOGOVENS P | Fl.27.50 | — | — | 40 | 4 | — | — | " |
| KLM C | Fl.60 | 10 | 0.10 | 810 | 0.80 | — | — | " |
| KLM P | Fl.30 | 220 | 4.30 | 46 | 4.70 | 8 | 5.50 | " |
| NEDLLOYD C | Fl.180 | 25 | 2.20 | — | — | — | — | Fl.121 |
| NAT NED C | Fl.75 | 404 | 0.60 | 17 | 1 | — | — | Fl.52.80 |
| NAT NED P | Fl.55 | 76 | 5 | — | — | — | — | " |
| PHILIPS C | Fl.35 | 543 | 1.80 | 61 | 2.90 | 60 | 3.30 | Fl.31.10 |
| PHILIPS P | Fl.50 | 19 | 20 | 419 | 21 | 10 | 21 | " |
| ROYAL DUTCH C | Fl.230 | 246 | 4 | 24 | 9 | 5 | 13 | Fl.203.80 |
| ROYAL DUTCH P | Fl.190 | 156 | 5.10 | 21 | 9.50 | — | — | " |
| ROBECO C | Fl.85 | 202 | 4.50 | — | — | — | — | Fl.82 |
| ROBECO P | Fl.85 | 90 | 8 | 4 | 11 | — | — | " |
| UNILEVER C | Fl.112 | 282 | 7.60 | — | — | — | — | Fl.106.90 |
| UNILEVER P | Fl.100 | 160 | 6.50B | 6 | 12 | — | — | " |

TOTAL VOLUME IN CONTRACTS: 30,710

A=Ask B=Bid C=Call P=Put

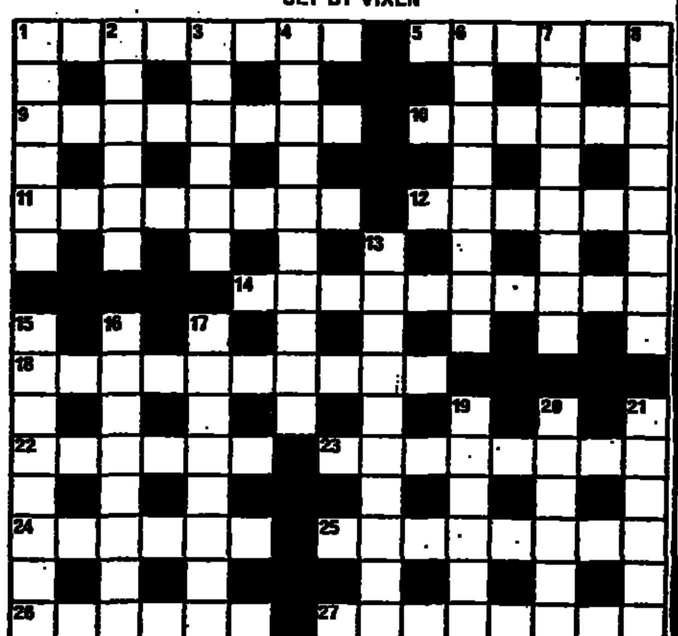
# BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 9 | ● Charterhouse Bank | 9 | Nat Bk. of Kuwait | 9 |
| Adam & Company | 9 | Citibank NA | 9 | NatWestminster | 9 |
| Allied Arab Bk Ltd | 9 | City Merchants Bank | 9 | Northern Bank Ltd | 9 |
| Allied Dunbar & Co | 9 | Clydesdale Bank | 9 | Norwich Gen. Trust | 9 |
| Allied Irish Bank | 9 | Comm. Bk. N. East | 9 | PK Finans. Intl (UK) | 9½ |
| American Exp. Bk | 9 | Consolidated Cred | 9 | Provincial Trust Ltd | 10½ |
| Amro Bank | 9 | Co-operative Bank | * 9 | R. Raphael & Sons | 9 |
| Henry Ansbacher | 9 | Cyprus Popular Bk | 9 | Roxburghe G'antee | 10½ |
| ANZ Banking Group | 9 | Duncan Lawrie | 9 | Royal Bk of Scotland | 9 |
| Associates Cap Corp | 10 | Equat'r'l Tst C'p plc | 9 | Royal Trust Bank | 9 |
| Authority & Co Ltd | 9 | Exeter Trust Ltd | 9½ | Smith Williamson Secs | 9 |
| Banco de Bilbao | 9 | Financial & Gen. Sec | 9 | Standard Chartered | 9 |
| Bank Hapoalim | 9 | First Nat. Fin. Corp | 10½ | TSB | 9 |
| Bank Leumi (UK) | 9 | First Nat. Sec. Ltd | 10½ | UDT Mortgage Exp | ¶11.1 |
| Bank Credit & Comm | 9 | ● Robert Fleming & Co | 9 | United Bk of Kuwait | 9 |
| Bank of Cyprus | 9 | Robert Fraser & Ptrs | 10 | United Mizrahi Bank | 9 |
| Bank of Ireland | 9 | Girobank | 9 | Unity Trust PLC | 9 |
| Bank of India | 9 | Grindlays Bank | 9 | Western Trust | 9 |
| Bank of Scotland | 9 | ● Guinness Mahon | 9 | Westpac Bank. Corp | 9 |
| Banque Belge Ltd | 9 | HFC Trust & Savings | 9 | Whiteaway Laidlaw | 9½ |
| Barclays Bank | 9 | ● Hambros Bank | 9 | Yorkshire Bank | 9 |
| Benchmark Tst Ltd | 9 | Heritable & Gen. Tst | 9 | | |
| Beneficial Trust Ltd | 10½ | ● Hill Samuel | § 9 | | |
| Berliner Bank AG | 9 | C. Hoare & Co | 9 | | |
| Brit Bk of Mid East | 9 | Hongkong & Shangh | 9 | | |
| ● Brown Shipley | 9 | Lloyds Bank | 9 | | |
| Business Mtge Tst | 9 | Meghraj & Sons Ltd | 9 | | |
| CL Bank Nederland | 9 | Midland Bank | 9 | | |
| Central Capital | 9 | ● Morgan Grenfell | 9 | | |
| Cayzer Ltd | 9 | Mt Credit Cpn Ltd | 9 | | |

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.125%.



# FT CROSSWORD No.6,485
SET BY VIXEN



ACROSS
1 The usual thing is to work within the figure set (8)
5 Slight depression caused by impertinence, right? (6)
9 Learned it's rarely distributed - it's retained (8)
10 Scouts put cereal in a steamer (6)
11 Odd patterns to be seen in a church (8)
12 Red brown and gold flame (6)
14 His is a trying occupation (10)
18 Coppers taking certain steps in an outbreak (10)
22 Hearing about second class of people (6)
23 Strange oriental report (8)
24 A type with the right inclination (6)
25 The craft of Gilbert and Sullivan (8)
26 Budding English novelist (6)
27 A profitable pastime? (8)

DOWN
1 Partner at one point showing taste (6)
2 A holy man with a light, wandering (6)
3 Childish complaint made by a winger (6)
4 He's familiar with kings and queens (4-6)
6 A hundred men entitled to be judges (8)
7 Drinking song sung at Christmas all round America (8)
8 Flung into the long grass - it's much objected to (8)
13 Prudence, getting no credit, is upset (10)
15 Seeing if cannabis is used in smart environment (8)
16 A letter which makes a crawler cross (8)
17 Swelling, and the preparation laid on it (8)
19 Hurt a mother - given time (6)
20 No semi will do for a Frenchwoman (6)
21 Popular temporary accommodation design (6)

Solution to Puzzle No.6,484

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| B | O | S | T | O | N | | C | O | N | T | R | A | C | T |
| U | | A | | R | | | | R | | H | | L | | O |
| T | I | N | D | A | L | | O | F | F | E | N | D | E | R |
| T | | B | | C | | P | | E | | R | | E | | M |
| O | V | E | R | L | O | R | D | | A | M | E | R | C | E |
| N | | N | | E | | I | | D | | I | | | | N |
| S | U | I | T | | O | M | N | I | P | O | T | E | N | T |
| | | T | | P | | A | | G | | N | | X | | |
| P | R | O | T | E | S | T | A | N | T | | S | T | E | P |
| E | | | | N | | E | | I | | A | | R | | A |
| T | O | R | P | I | D | | S | T | U | D | I | O | U | S |
| A | | A | | T | | A | | Y | | H | | V | | T |
| S | E | N | T | E | N | C | E | | S | E | V | E | R | E |
| U | | G | | N | | M | | | | R | | R | | R |
| S | W | E | E | T | P | E | A | | M | E | L | T | O | N |

# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

Bid Price | Offer Price | + or - | Yield Gross

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth

[illegible]

# FT UNIT TRUST INFORMATION SERVICE

**Scimitar Asset Management Ltd**
8 Crosby Sq, London EC3A 6AQ 01-588 6995/4/5

| | | | | |
|---|---|---|---|---|
| Scimitar Global Gth Ac | 26.7 | 28.5 | +0.8 | – |
| Do. Income | 26.1 | 28.3 | +0.7 | 0.29 |
| Scimitar European Acc | 21.3 | 22.7 | +0.4 | – |
| Do. Income | 21.2 | 22.6 | +0.4 | 0.11 |
| Scimitar UK Eq Inc Acc | 32.2 | 33.9 | +1.0 | – |
| Do. Income | 30.9 | 32.5 | +1.0 | 3.64 |
| UK Cap Gth Acc | 22.1 | 23.5 | +0.2 | – |
| Scimitar Pac Basin Acc | 25.0 | 26.6 | +0.1 | – |
| Scimitar Mangd Exempt* | 134.5 | 142.2 | +9.2 | – |

*Unauthorised

**Scottish Equitable Fund Mgrs. Ltd(z)**
28 St Andrews Sq, Edinburgh 031-556 1051

**Scottish Life Investments(z)**
19 St Andrew Sq, Edinburgh 031-225 2211

**Scottish Mutual Investment Managers Ltd**
109 St Vincent St, Glasgow G2 5HN 041-248 6100

**Trades Union Unit Trust Managers**
100 Wood Street, London EC2 01-606 4955

| | | | | |
|---|---|---|---|---|
| TUUT Nov 2 87 | 196.2 | 204.6 | — | 3.07 |

**Triton Fd Mngrs. Ltd.**
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

| | | | | |
|---|---|---|---|---|
| Triton General | 127.2 | 136.8xd | –3.2 | 1.79 |

**Tyndall Unit Trust Managers Limited**
25 Bucklersbury, London EC4N 248 3999

**UK Provident Unit Trust Managers Ltd**
UK House, Castle St, Salisbury SP1 3SH 0722 336242

| | | | | |
|---|---|---|---|---|
| UK Equity | 126.1 | 133.6 | –1.2 | 2.952 |

**UK Unit Trust Managers Ltd**
Worthing Road, Horsham, RH12 1SL 0403 40053

**Unit Trust Account & Mgmt. Ltd**
20 Copthall Ave, London, EC2R 7PA 01-588 6064

| | | | | |
|---|---|---|---|---|
| Friars Hse Cap Fd | 162.4 | 172.7 | — | – |
| Friars Hse Inc Fd | 157.9 | 165.2 | — | – |

**United Charities Unit Trusts (a)(c)(g)**
Unicorn Hse, 252 Romford Rd, EC. 01-534 5544

| | | | | |
|---|---|---|---|---|
| Select Charities | 152.7 | 162.4xd | — | 4.50 |

**Vanguard Trust Managers Ltd**
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

# INSURANCES

[illegible]

Continued on next page

# FT UNIT TRUST INFORMATION SERVICE

**Phoenix Assurance Co Ltd**
Phoenix House, Redcliff Hill, Bristol 0272 294941

| | | | | |
|---|---|---|---|---|
| **Life Assurance Funds** | | | | |
| Wealth Assoc. | 361.5 | 380.6 | — | - |
| Eb'r Ph. Eq. | 388.9 | 412.3 | — | - |
| **Pension Plan Funds** | | | | |
| **Phoenix** | | | | |
| UK Equity Acc. | 150.6 | 158.5 | -2.7 | - |
| International Acc. | 118.2 | 124.4 | -1.0 | - |
| Property Acc. | 117.8 | 123.9 | — | - |
| Fixed Interest Acc. | 151.7 | 159.6 | -0.5 | - |
| Money Acc. | 128.9 | 135.6 | — | - |
| Bldg. Soc. Link Acc. | 150.5 | 157.3 | — | - |
| Special Mngd Acc.() | 136.8 | 143.9 | -1.6 | - |
| **Phoenix/Framlington** | | | | |
| Intnl. Growth Acc. | 77.5 | 81.5 | +0.9 | - |
| Amer. & Gen. Acc. | 73.5 | 77.3 | +0.7 | - |
| Capital Tst. Acc. | 161.4 | 169.8 | +3.6 | - |
| Japan & Gen Acc. | 152.9 | 160.9 | +3.5 | - |
| American Turn. Acc. | 71.6 | 75.3 | +0.7 | - |
| Recovery Tst. Acc. | 150.5 | 158.4 | +3.1 | - |
| Special Mngd Acc. | 129.2 | 136.0 | +2.3 | - |
| **Phoenix/GT** | | | | |
| International Acc. | 113.4 | 119.3 | +0.6 | - |
| US & General Acc. | 82.6 | 86.9 | -0.2 | - |
| Amer Spec Sits Acc. | 55.9 | 58.8 | -1.0 | - |
| Japan & General Acc. | 149.6 | 157.4 | +1.9 | - |
| Far East & Gen. Acc. | 125.1 | 131.6 | +1.7 | - |
| UK Capital Acc. | 147.7 | 155.4 | +4.8 | - |
| European Acc. | 127.3 | 134.0 | +1.5 | - |
| Special Mngd. Acc. | 114.3 | 120.3 | +1.8 | - |

**Pioneer Mutual Insurance Co Ltd**
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

| | | | | |
|---|---|---|---|---|
| Managed Fund | 249.5 | 262.7 | — | - |
| Man Pen Inc & Cap Fds | 314.4 | 331.0 | — | - |
| Money Fund | 110.0 | 115.8 | — | - |
| Pens. Mngd Fd (Init) | 75.2 | 79.2 | — | - |
| Pens Mngd Fd (Acc) | 83.0 | 87.4 | — | - |
| Pens FT30 Fd (Init) | 113.0 | 119.0 | — | - |
| Pens FT30 Fd (Acc) | 124.7 | 131.3 | — | - |
| Pens O'seas MgFd(Init) | 49.1 | 51.7 | — | - |
| Pens O'seas MgFd(Acc) | 54.2 | 57.1 | — | - |
| Pens Fxd Int Fd (Init) | 108.0 | 113.7 | — | - |
| Pens Fxd Int Fd (Acc) | 119.2 | 125.5 | — | - |
| Pens Deposit Fd (Init) | 100.1 | 105.4 | — | - |
| Pens Deposit Fd (Acc) | 110.5 | 116.4 | — | - |

**Premium Life Assurance Co Ltd**
Eastchester House, Haywards Heath 0444 458721

| | | | | |
|---|---|---|---|---|
| American | 81.0 | 86.0 | — | - |
| Building Soc. Fd. | 155.0 | 164.0 | — | - |
| Balanced | 220.0 | 232.0 | -1.0 | - |
| Deposit | 156.0 | 165.0 | — | - |
| European | 127.0 | 134.00 | +1.00 | - |
| GT Managed | 133.0 | 140.0 | -2.0 | - |
| Gartmore Mngd | 97.0 | 103.0 | — | - |
| German | 97.0 | 103.0 | -1.00 | - |
| Gilt | 161.0 | 170.0 | +2.00 | - |
| High Inc. | 114.0 | 120.0 | — | - |
| International Equity | 148.0 | 156.0 | +1. | - |
| Japan | 187.0 | 197.0 | -1.00 | - |
| Oppenheimer Mngd | 80.0 | 85.0 | — | - |
| Property | 228.0 | 240.0 | — | - |
| R. W. Imperial Gold | 104.0 | 110.0 | — | - |
| UK Equity | 265.0 | 279.0 | -6.00 | - |
| **Pension Funds** | | | | |
| American | 77.0 | 82.0 | — | - |
| Building Soc. Fd. | 144.0 | 152.0 | — | - |
| Balanced | 158.0 | 167.0 | — | - |
| Deposit | 144.0 | 152.0 | — | - |
| European | 122.0 | 129.0 | — | - |
| GT Managed | 139.0 | 147.0 | — | - |
| Gartmore Mngd | 87.0 | 92.0 | — | - |
| [illegible] | | | | |

**Prudential Assurance Co**
Holborn Bars, London EC1N 2NH 01-405 9222

| | | | |
|---|---|---|---|
| **Prufund** | | | |
| Managed Nov 11 | 178.8 | 186.3 | — |

**Prudential Holborn Life Ltd**
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

| | | | |
|---|---|---|---|
| Managed Fd. | 389.1 | 409.6 | — |
| Equity Fd. | 760.8 | 800.9 | -2.5 |
| Intnl. Fd. | 283.7 | 298.7 | -5.0 |
| Fixed Int. Fd. | 357.8 | 376.7 | +2.1 |
| Prop. Fd. | 292.0 | 307.4 | — |
| Cash Fd. | 231.0 | 243.2 | — |
| Pacific Basin Fd. | 152.1 | 160.2 | -0.4 |
| North American Fd. | 111.4 | 117.4 | -2.9 |
| European Fd. | 134.2 | 141.3 | +0.6 |

**Prudential Holborn Pensions Ltd**
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

| | | | |
|---|---|---|---|
| Managed | 409.7 | 431.3 | — |
| Equity | 589.6 | 620.7 | -3.5 |
| Global Equity | 184.5 | 194.3 | — |
| Fixed Interest | 369.5 | 389.0 | +2.4 |
| Property | 287.4 | 302.6 | +0.1 |
| Cash | 134.9 | 142.1 | — |
| Index Linked Gilt | 163.7 | 172.4 | +3.2 |
| Guaranteed | 9.25 | 10.25 | — |
| International Money | 186.9 | 192.6 | +0.2 |
| North American Fd. | 53.2 | 56.1 | — |
| Japanese Fund | 100.6 | 105.9 | — |
| European Fund | 70.3 | 74.1 | — |
| Special Situations Fd. | 81.1 | 85.4 | — |
| Communications Fund | 75.8 | 79.8 | — |
| Smaller Cos Fund | 86.0 | 90.8 | — |

**Prudential Pensions Limited**
Holborn Bars, London EC1N 2NH 01-405 9222

| | | | |
|---|---|---|---|
| Discretny Nov 11 | £109.68 | 112.84 | — |
| Equity Fund Nov 11 | £112.71 | 116.14 | — |
| Intnl Fund Nov 11 | £18.63 | 19.19 | — |
| Intl Bond Fd Nov 11 | £10.09 | 10.23 | — |
| Fixed Int Nov 11 | £66.00 | 66.86 | — |
| Index Linked Nov 11 | £48.29 | 48.91 | — |
| Property Fund Nov 11 | £72.24 | 76.83 | — |
| Cash Fund Nov 11 | £17.7524 | 17.7524 | — |
| **Pru-Linked Retirement Plan** | | | |
| Managed Fd Nov 11 | 282.3 | 294.1 | — |
| Cash Fund Nov 11 | 168.9 | 176.0 | — |
| **Prudential Pensions Investment Account** | | | |
| Pens Man Fd Nov 16 | 118.4 | 124.7 | -1.8 |
| Pens UK Eq Fd Nov 16 | 208.7 | 219.7 | -7.4 |
| Pens Itr Fd Nov 16 | 140.4 | 147.8 | +0.6 |
| Pens Fxd Nov 16 | 150.3 | 158.3 | -0.5 |
| Pens Index Lk Nov 16 | 120.1 | 126.5 | +0.9 |
| Pens Cash Fd Nov 16 | 110.7 | 116.6 | +0.1 |

**Regency Life Assurance Co Ltd**
55-57 High Holborn, WC1V 6DU. 01-831 7481

| | | | |
|---|---|---|---|
| Aggressive Ptflo Fd. | 99.7 | 104.9 | -0.6 |
| Balanced Ptflo Fd. | 269.1 | 283.2 | -1.0 |
| Cautious Ptflo Fd. | 110.1 | 115.8 | -0.6 |
| Elite Fund | 96.7 | 101.7 | — |
| European Fund | 81.6 | 85.8 | +1.9 |
| Far East Fund | 94.3 | 99.2 | +1.1 |
| Fixed Interest Fund | 241.8 | 254.5 | -0.3 |
| [illegible] | | | |

[illegible]

## MANAGEMENT SERVICES

[illegible]

## OFFSHORE AND OVERSEAS

[illegible]

# FT UNIT TRUST INFORMATION SERVICE

# LONDON SHARE SERVICE

## BRITISH FUNDS

| 1987 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| | | **"Shorts" (Lives up to Five Years)** | | | | |
| 99[illegible] | 97[illegible] | Treas 7¾pc 1985-88‡‡ | 99[illegible] | ..... | 7.76 | 7.89 |
| 102[illegible] | 99[illegible] | Exch 10½pc '88 | 100[illegible] | +[illegible] | 10.41 | 8.53 |
| 101[illegible] | 98[illegible] | Treas 9¾pc Cv '88 | 100[illegible] | +[illegible] | 9.69 | 8.58 |
| 98[illegible] | 93[illegible] | Transport 3pc '78-88 | 98[illegible] | +[illegible] | 3.07 | 6.70 |
| 102[illegible] | 98[illegible] | Treas. 9½pc '88 | 100[illegible] | ..... | 9.44 | 8.68 |
| 105[illegible] | 101[illegible] | Treas 11½pc 1989 | 103[illegible] | +[illegible] | 11.15 | 8.77 |
| 102[illegible] | 97[illegible] | Treas 9½pc Cnv 1989 | 100[illegible] | +[illegible] | 9.41 | 8.73 |
| 96[illegible] | 89[illegible] | Treas 3pc 1989 | 95[illegible] | +[illegible] | 3.14 | 6.12 |
| 104[illegible] | 99[illegible] | Treas 10½pc 1989 | 102[illegible] | +[illegible] | 10.24 | 8.72 |
| 103[illegible] | 98[illegible] | Exch 10pc 1989 | 101[illegible] | +[illegible] | 9.82 | 8.78 |
| 105[illegible] | 100[illegible] | Exch 11pc 1989 | 103[illegible] | +[illegible] | 10.61 | 8.80 |
| 96[illegible] | 89[illegible] | Treas 5pc 1986-89 | 95[illegible] | +[illegible] | 5.24 | 7.55 |
| 108[illegible] | 99[illegible] | Exch 10¼pc Cv '89 | 104[illegible] | +[illegible] | 9.72 | 7.22 |
| 111[illegible] | 104[illegible] | Treas 13pc 1990‡‡ | 108[illegible] | +[illegible] | 12.00 | 8.64 |
| 106[illegible] | 100[illegible] | Exch 11pc 1990‡‡ | 104[illegible] | +[illegible] | 10.55 | 8.78 |
| 110[illegible] | 103[illegible] | Exch. 12½pc 1990 | 107[illegible] | +[illegible] | 11.60 | 8.78 |
| 92[illegible] | 84[illegible] | Treas. 3pc 1990 | 92[illegible] | +[illegible] | 3.25 | 6.47 |
| 100[illegible] | 93[illegible] | Treas 8¼pc 1987-90‡‡ | 99[illegible] | +[illegible] | 8.35 | 8.69 |
| 105 | 97[illegible] | Treas. 10pc Cv 1990 | 102[illegible] | +[illegible] | 9.71 | 8.79 |
| 91[illegible] | 81[illegible] | Exch 2½pc 1990 | 90[illegible] | +[illegible] | 2.78 | 6.19 |
| 110[illegible] | 102[illegible] | Treas 11¾pc 1991 | 107[illegible] | +[illegible] | 10.90 | 8.83 |
| 95[illegible] | 87[illegible] | Funding 5¾pc '87-91‡‡ | 93[illegible] | +[illegible] | 6.13 | 7.84 |
| 90[illegible] | 80[illegible] | Treas. 3pc 1991 | 89[illegible] | +[illegible] | 3.37 | 6.56 |
| 110[illegible] | 98[illegible] | Treas 10pc Cv '91 ‡‡ | 105[illegible] | +[illegible] | 9.48 | 8.23 |
| 109[illegible] | 101[illegible] | Exch. 11pc 1991 | 107[illegible] | +[illegible] | 10.66 | 8.78 |
| 99 | 91[illegible] | Treas. 8pc 1991 | 97[illegible] | +[illegible] | 8.20 | 8.72 |
| 116[illegible] | 107[illegible] | Treas 12¾pc 1992‡‡ | 113[illegible] | +[illegible] | 11.25 | 8.84 |
| 106[illegible] | 97[illegible] | Treas 10pc 1992 | 103[illegible] | +[illegible] | 9.61 | 8.80 |
| 99[illegible] | 90[illegible] | Treas. 8pc 1992 ‡‡ | 97[illegible] | +[illegible] | 8.70 | 10.25 |
| 108[illegible] | 99[illegible] | Treas 10½pc Cv 1992‡‡ | 106[illegible] | +[illegible] | 9.90 | 8.82 |
| 86[illegible] | 79[illegible] | Treas. 3pc 1992 | 85[illegible] | +[illegible] | 3.74 | 8.03 |
| 115[illegible] | 105[illegible] | Exch. 12¼pc '92 | 112[illegible] | +[illegible] | 10.87 | 8.91 |
| 121[illegible] | 110[illegible] | Exch 13½pc 1992 | 117[illegible] | +[illegible] | 11.48 | 8.93 |

### Five to Fifteen Years

### Over Fifteen Years

## BRITISH FUNDS—Contd

### Undated

### Index-Linked

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

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## AMERICANS

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## Money Market Trust Funds

## Money Market Bank Accounts

### UNIT TRUST NOTES

## AMERICANS—Continued

| 1987 High | Low | Stock | Price £ | + or − | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 39 | 21½ | Rep NY Corpn $5 | 22¾ | −¼ | $1.16 | — | 2.9 |
| 18⅝ | 8¼ | Rockwell Intl. $1 | 10⅞xd | +¼ | 66c | — | 3.5 |
| 30⅝ | 16¼ | Sara Lee $1 | 20 xd | + | $1.00 | — | 2.8 |
| 11⅜ | 8⅞ | Saul (B. F.) $1 | 9¼ | +⅛ | 20c | — | 1.2 |
| 27½ | 2¼ | Southwestern Bell $1 | 21⅛ | ..... | k$2.32 | — | 6.3 |
| 22¼ | 10½ | Staley Continental | 11⅛ | ..... | 80c | — | 4.1 |
| 44⅝ | 21⅝ | Sun Co. Inc. $1 | 27⅝xd | +⅛ | $3.00 | — | 6.2 |
| 42¼ | 22¼ | TRW Inc. $0.625 | 23¼xd | −1 | b$1.60 | — | 3.9 |
| 37¾ | 22⅝ | Tenneco $5 | 23½xd | −¼ | $3.04 | — | 7.5 |
| 220 | 149½ | Do. 10pcLn.Stk. 91-5 | 150xd | ..... | 10% | — | 14.7 |
| 29⅝ | 16¼ | Texaco $6.25 | 17¼xd | +¼ | $3.00 | — | 10.0 |
| 74⅜ | 43¾ | Time Inc. $1 | 45½xd | −⅛ | $1.00 | — | 1.3 |
| 20⅞ | 11 | Tracor $0.33 | 18¼xd | ..... | 40c | — | 1.3 |
| 30¾ | 15⅜ | Transamerica $1 | 18⅞xd | −⅛ | $1.84 | — | 5.6 |
| 14⅛ | 1⅛ | Transworld Corp $5 | 889p | ..... | 20c | — | 1.4 |
| 27⅛ | 12¼ | TRINOVA Corp. | 14⅝xd | +⅛ | 56c | — | 2.2 |
| 24⅜ | 12⅝ | ♦USX $1 | 16⅝ | +⅜ | $1.20 | — | 4.2 |
| 19⅝ | 10⅞ | Union Carbide $1 | 13⅜xd | +1 | $1.50 | — | 6.5 |
| 37⅞ | 18¼ | Utd. Technologies | 19½xd | +⅛ | $1.40 | — | 4.1 |
| 38⅝ | 26¼ | US West¶ | 29¼ | ..... | $3.28 | — | 6.4 |
| 30½ | 17⅛ | Waste Management $1 | 20¾ | +¼ | — | — | — |
| 31⅛ | 13¾ | Whirlpool $1.0 | 15 | ..... | — | — | — |
| 37⅛ | 18⅛ | ♦Woolworth $3½ | 20⅝ | −⅜ | $1.32 | — | 3.7 |

## CANADIANS

| 1987 High | Low | Stock | Price | + or − | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 691p | 227p | ABM Gold Corp ‖ | 278p | ..... | — | — | — |
| 26¼p | 10p | ♦Abbot Energy Corp. | 19½p | ..... | — | — | — |
| 18⅛ | 506p | ♦Amer. Barrick Res. | 985pxd | ..... | — | — | — |
| 136p | 32p | Amer. Dalaco | 34½p | ..... | — | — | — |
| 141p | 6p | American Lightwave | 6½p | ..... | — | — | — |
| 122p | 33p | ♦Armeno | 44½p | ..... | — | — | — |
| 117 | 40½ | Augustin Expln. | 45½ | ..... | — | — | — |
| 19⅛ | 10⅞ | Bk. Montreal ‖ | 11xd | ..... | $2.00 | — | 8.0 |
| 10½ | 522p | Bk. Nova Scot. ‖ | 522p | ..... | 72c | — | 6.0 |
| 20⅝ | 15⅝ | BCE ‖ | 16 | ..... | $2.40 | — | 6.6 |
| 10⅞ | 574p | ♦Bow Valley‖ | 574p | ..... | 40c | — | 3.1 |
| 20 | 10¼ | ♦Brascan‖ | 11½ | ..... | 88c | — | 3.4 |
| 609p | 197p | ♦Breakwater Res. | 203p | ..... | — | — | — |
| 11⅝ | 734p | Can. Imp. Bk. $2 | 751pxd | ..... | $1.08 | — | 6.3 |
| [illegible] | | | | | | | |

## BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS—Cont

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY AND STORES—Cont.

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING—Continued

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS—Continued

[illegible]

## INDUSTRIALS—Continued

[illegible]

## INSURANCES

[illegible]

# LONDON SHARE SERVICE

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## TRUSTS, FINANCE, LAND

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### Finance, Land, etc

## OIL AND GAS

## OIL AND GAS—Continued

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

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## MINES

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### Eastern Rand

### Far West Rand

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

## MINES—Continued

### Tins

### Miscellaneous

## THIRD MARKET

| High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 110 | 30 | Gardner (L.) 5p | 65 | +3 | 0.25 | 2.3 | 2.6 | 22.5 |
| 53 | 20 | Honorbilt Group 5p | 28 | -2 | — | — | — | 23.6 |
| 133 | 56 | Leading Leisure 5p | 65 | -5 | 0.9 | 3.1 | 1.9 | 18.8 |
| 95 | 60 | Lynx Tech. 5p | 70 | -5 | b— | — | — | 8.0 |
| 180 | 88 | Medirace 10p | 89 | ..... | — | — | — | — |
| 98 | 38 | WOvoca Gold IR 2p | 51 | -2 | — | — | — | — |
| 82 | 17 | Publishing Hldgs 5p | 41xr | ..... | — | — | — | 24.7 |
| 128 | 85 | Seacon Hldgs. | 85 | -2 | — | — | — | 12.9 |
| 87 | 42 | Theme Holdings | 50 | -5 | 1.0 | 1.9 | 2.7 | 26.8 |
| 210 | 133 | UPL Group 10p | 136 | +2 | L2.41 | 2.8 | 2.4 | — |
| 140 | 103 | Unit Group | 172xd | +2 | 4.6 | 2.5 | 5.6 | (8.0) |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption *Treasury Bill Rate stays unchanged until maturity of stock.* a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. *P Figures based on prospectus or other official* estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Albany Inv 20p | 73 | ..... |
| Craig & Rose £1 | 650xd | ..... |
| Finlay Pkg. 5p | 86 | -2 |
| Holt (Jos) 25p | £11½ | +¼ |
| For Iol/ Steam Packet/Shipping | 40‡ | ..... |
| **IRISH** | | |
| Fund 11¼% 1988 | £100⅞ | ..... |
| Nat. 9¾% 84/89 | £99⅛ | ..... |
| Fin. 13% 97/02 | £111⅞ | ..... |
| Arnotts | 290 | +10 |
| CPI Hldgs | 55 | ..... |
| Carrol Inds. | 135 | ..... |
| Half (R. & H.) | 98 | ..... |
| Heiton Hldgs. | 45 | +5 |
| Irish Ropes | 158½xd | ..... |
| Norish | 325 | ..... |
| Unidare | 350 | ..... |

## TRADITIONAL OPTIONS

### 3-month call rates

| Industrials | p | | |
|---|---|---|---|
| Allied-Lyons | 40 | NEI | 13 |
| Amstrad | 19 | Nat West Bk | 65 |
| BAT | 62 | P & O Dfd | 65 |
| BOC Grp. | 50 | Plessey | 20 |
| BSR | 17 | Polly Peck | 34 |
| BTR | 36 | Racal Elect | 32 |
| Babcock | 32 | RHM | 35 |
| Barclays | 52 | Rank Org Ord | 70 |
| Beecham | 52 | Reed Intnl | 50 |
| Blue Circle | 50 | STC | 30 |
| Boots | 30 | Sears | 16 |
| Bowaters | 50 | TI | 37 |
| Brit Aerospace | 50 | TSB | 12 |
| Brit. Telecom | 28 | Tesco | 18 |
| Burton Ord | 32 | Thorn EMI | 65 |
| Cadburys | 25 | *Trust Houses* | 25 |
| Charter Cons. | 45 | T&N | 26 |
| Comm Union | 34 | Unilever | 62 |
| Courtaulds | 45 | Vickers | 20 |
| FNFC | 32 | Wellcome | 42 |
| Gen Accident | 95 | **Property** | |
| GEC | 22 | Brit Land | 30 |
| Glaxo | 200 | Land Securities | 50 |
| Grand Met | 50 | MEPC | 48 |
| GUS 'A' | 125 | Peachey | 40 |
| Guardian | 95 | **Oils** | |
| GKN | 38 | Brit Petroleum | 32 |
| Hanson Tst. | 17 | Britoil | 30 |
| Hawker Sidd | 58 | Burmah Oil | 52 |
| ICI | 125 | Charterhall | 10 |
| Jaguar | 52 | Premier | 11 |
| Ladbroke | 45 | Shell | 125 |
| Legal & Gen | 32 | Tricentrol | 11 |
| Lex Service | 45 | Ultramar | 26 |
| Lloyds Bank | 35 | **Mines** | |
| Lucas Inds | 75 | | |
| Marks & Spencer | 22 | Cons Gold | 125 |
| Midland Bk | 65 | Lonrho | 28 |
| Morgan Grenfell | 55 | Rio T Zinc | 100 |

A selection of Options traded is given on the London Stock Exchange Report Page.

# LONDON STOCK EXCHANGE

Account Dealing Dates

[illegible]

# PSBR boost for Government bonds but equities slide as BP 'new' dominate trading

THE CONCERN of the London securities markets with the progress of the US budget negotiations in Washington was put on the back burner for a while yesterday following the news of a $1bn surplus on the UK Public Sector Borrowing Requirement (PSBR) at the end of last month.

The PSBR announcement fuelled a sharp upswing in Government bonds, although traders said that retail buying support remained moderate. The equity sector was more cautious, with share prices remaining on the downside for much of a session which was again dominated by heavy trading in **British Petroleum "new" shares**, which accounted for nearly half the day's total business in ordinary shares. "I've never seen anything like it", was one comment from the trading rooms.

The City's worries over the US budget deficit may now have been discounted in the market-place, according to some UK analysts. London hopes to see a satisfactory solution to the drama this week, before the Gramm-Rudman legislation takes effect.

"The PSBR figure is good news for both Gilts and equities", said Mr Ian Harwood, economic strategist at Warburg Securities. "Gilts like an absence of Government funding pressures, and equities see the chances of tax cuts next spring reinforced."

By the end of the day, bonds were showing gains of a full point at the long end of the sale, and about ⅝ in the medium dates. Index-linked Gilts also advanced, adding ⅜ of a point, to bring this sector closer to its tap stock levels.

The response of the equity market was less certain. Renewed weakness in the dollar following President Reagan's latest comments on the US budget talks, a dividend cut by **Siemens**, West Germany's largest electrical group, and nervousness towards both the US and Tokyo stock markets, undermined a firm start by London stocks, and prices spent the rest of the day on the downside.

There was a mid-session rally and London resisted Wall Street's opening slide for a while, before falling away in late trading to close at the day's lows. The FT-SE 100 Index closed 24.6 down at 1660.1.

The renewed firmness in the pound bore down on the exporting blue chip stocks once more at the end of the session. **Glaxo, ICI, Fisons** and **Unilever**, suffered losses and **Beecham** looked dull as the trading results were awaited.

Some traders saw signs of a renewed "flight to quality" in the absence of buying support across the equity range - many second and third line stocks have barely traded this week.

Japanese equities traded lower in London but UK traders brushed off suggestions in the UK investment press of underlying weakness in the Tokyo market. Sentiment was buoyed by trading results from the five major Japanese financial houses.

BP "new" shares attracted another massive trade - turnover yesterday topped Monday's 250m share business and accelerated to 274m - adding substance to Monday's stories that a stake of between three and five per cent had been acquired over the two sessions.

The identity of the so-called "mystery buyer" remained under wraps - once again much of the turnover was via the inter-dealer broker First Equity Services - but guesses as to who has been responsible for the unprecented buying onslaught in the shares ranged from the Kuwait Investment Office - recently unmasked as the purchasers of a 4.9 per cent stake - to Salomon Brothers, supposedly buying on behalf of Exxon, America and the world's largest oil company, to Japanese funds buying via Nomura.

The buying spree was bolstered by many of the London-based market makers seeking lines of the stock - "You don't want to be short with all this going on" said one leading trader in BP.

Philip Lambert, oil company analyst at securities house Kleinwort Grieveson, said "Never in the history of the London market has the volume of buying in a stock been so visible but the actual buyer so invisible".

BP "new" were finally quoted at 85½p, up 6½ on the day, while the "old" jumped 10 to 259p on a turnover of 13m shares.

**Standard Chartered** featured in a generally subdued bank sector with the shares finally 17 higher at 460p following news that Robert Holmes a Court's interests had raised further cash by selling an 8.8 per cent stake in John Fairfax, an Australian company, for £154m, and a 2 per cent stake in BHP for some £110m. The sale was thought to have relieved some of the pressure on Holmes a Court to sell more of his share stakes in UK companies.

The big-four banks showed **NatWest** 15 off at 548p, **Lloyds** and **Midland** down 10 apiece at 233p and 383p respectively and **Barclays** 5 off at 438p.

Two blocks of 3.6m **TSB** shares went through the SEAQ system during early trading at a price of 104p.

**Legal & General** remained an active market - over 2.5m shares changed hands - and the shares settled a net 3 off at 270p; the company announced it had increased its stake in Connells Estate Agents to 11.2 per cent.

Composite insurances were unsettled by reports of an earthquake in the Atlantic basin. At the close **Commercial Union** showed a 5 fall at 303p and **General Accident** lost a similar amount to 800p. But **Royals**, a poor market recently following the badly received third quarter figures, rallied 8 to 358p with Wood Mackenzie said to have been a persistent buyer of the shares.

Elsewhere, **CE Heath** slipped 4 to 365p ahead of the interim figures expected today. Securities houses Wood Mackenzie and SBCI Savory Milln both go for £7.5m pre-tax.

Volumes remained disappointingly low and the Brewery leaders with the exception initially of Guinness followed the general downturn. Awaiting the interim results, now due to be revealed today, **Whitbread "A"** ran into persistent small sales from private investors which made quite an impression in the absence of institutional support. The shares settled 14 lower at 257p, although analysts were confident that the group would announce first-half profits of around £90m to £92m compared with £79.8m last year. **Allied-Lyons** backtracked 10 to 326p and **Bass** 7 to 772p. **Guinness** eased late to finish 3 cheaper at 251p. Regional issues also went lower with **Scottish & Newcastle** ending 7 easier at 214p and **Wolverhampton & Dudley** closing 9 off at 316p. **Young and Co's** Brewery half-yearly profits were a record, but they fell short of the board's expectations because of a fall in beer sales. The upshot was that the "A" shares reacted 10 to 373p. In contrast, sporadic buying lifted Distillers and **Irish** gained 4 to 177p while **Macallan-Glenlivet** rose 7 to 515p.

Leading Buildings traded quietly and closed with small irregular movements. **Blue Circle** drifted off to close 4½ lower at 353p, but **RMC** attracted occasional buying interest and firmed 7 to 415p. **BPB Industries** continued to benefit from a broker's recommendation and added 7 more to 272p; the interim results are due on November 26. **Meyer International** were a weak feature, falling 21 to 318p as increased half-year profits and a confident statement failed to impress.

**ICI** held up well for most of the session helped by good results from its Australian operations, however, Wall Street's early downturn saw the price ease back to close 5/16 lower on balance at £10¾. **Laporte** slipped 15 to 368p and **Coalite** shed 11 to 294p, but **Wardle Storeys** continued to reflect the good results with a fresh gain of 5 at 500p.

Worries about sluggish sales in the run up to Christmas proved a drag on **Marks and Spencer** which dropped 13 to 185p after a turnover of 11m. But **Sears** retained a gain of 2½ at 129½p. **Burton Group**, scheduled to announce interim figures on Thursday - Morgan Grenfell are forecasting net profits of £182m - rose 4 to 228p. **Storehouse**, interims due today, slipped 6 to 260p.

News that postal workers have voted for industrial action hit the mail order companies. **GUS "A"** lost 7/16 to £11, **Next** 4 to 281p, **Empire Stores** 2 to 206p and **Freemans** the same amount to 153p.

The electricals leaders came off sharply late in the day and generally closed with minor falls across the board. **BICC** were an exception and closed a net 8 higher at 301p following Press comment. **Thorn EMI** also managed to make progress, helped by the visit by analysts to the company's research centre at Hayes and ther forthcoming presentations.

**British Telecom** dipped 4 to 223p despite the apparent success of the flotation of Japan's NTT which traded at a premium on its debut on Monday.

Among the Engineers, **Thomas Robinson** advanced to 366p in the wake of acquisition news before closing only 4 firmer on the day at 362p. In contrast, the proposed purchase of Eurofit for some £1.4m failed to benefit **Simon Engineering** which finished 6 lower at 217p. Elsewhere, **TI Group** were noteworthy for a fall of 12 at 246p. **Rolls-Royce**, 3 easier at 111p, were a relatively lively market (around 3.4m shares changed hands) after news that foreign holders are to be forced to sell stock because the maximum level of 15 per cent held in overseas hands has been exceeded by some 46m shares.

Foods attracted a moderate turnover, but there were few movements of note. **Tesco** remained a dull market and shed 7 more to 154p, while **Argyll** slipped 5 to 179p. **J. Sainsbury** were unchanged at 230p following a company progress report for analysts. A luke-warm Press response to the half-year figures prompted occasional selling of **Unigate** which slipped 8 to 287p, while **Ranks Hovis McDougall** softened a few pence to 293p awaiting today's preliminary results. Elsewhere, **Normans** added 2½ to 52p in reply to the increased half-year profits.

**Grand Metropolitan** drifted off late to close 7 down at 386p and **Ladbroke** gave up a similar amount at 307p.

International stocks eventually succumbed to currency worries. Initially, prices moved within fairly narrow limits, but the tone gradually deteriorated in the face of a fresh slide in the US dollar, with sentiment further unsettled by the early setback on Wall Street yesterday. **Beecham**, awaiting tomorrow's half-year figures, were one of the more briskly traded stocks (some 4.9m shares) and settled 14 cheaper at 440p. **Glaxo** closed ⅛ lower at £10⅝, while **BOC** gave up 17 to 345p. **Reed International**, which announced further expansion in the US on Monday via the acquisition of Modern Bride, a specialist consumer magazine, gave up 16 to 342p.

Among other stocks regarded as vulnerable to US exposure, **Cookson** reacted 15 to 445p and **British Aerospace** 13 to 310p. **Fisons** were also noteworthy for a fall of 15 at 235p, but **Wellcome** resisted the trend, rising 6 to 346p in a volume of some 1.8m shares. The preliminary figures from **J.H. Fenner** were well received and the shares adanced 13 to 138p. A revival of bid hopes were thought to have been behind an improvememnt of 14 at 226p in **Brammer**, while **Thomson T-Line** rose to 83p before closing a few pence higher at 78p on news of the agreed management buy-out of Bulk Storage and its subsidiaries. In contrast, **Sac International** dipped 38 to 205p in a belated reaction to the preliminary figures which were below forecast, while **Norcros** fell 16 to 323p on the resignation of the chief executive Mr Terry Simpson following a disagreement over the implementation of group strategy.

The easier dollar revived concern over **Jaguar's** US exposure and the shares slipped back consistently to end 15 down at 307p. Motor Component issues hovered either side of overnight levels but **Lex Service** also reacted unfavourably to currency influences and closed 10 lower at 281p, only 10 above the year's low point.

**DRG** resisted the surrounding malaise thanks to a Citibank Scrimgeour Vickers recommendation that the group was a quality investment and "strongly positioned in areas which are relatively attractive in the sector context". The shares nudged higher to 329p. **Carlton Communications** were another bright feature, rising 27 to 560p as investors sensed a good preliminary trading statement next month. Elsewhere, **Saatchi & Saatchi** became unsettled by US dollar considerations and lost 13 to 350p.

Leading Properties moved narrowly throughout and eventually closed with an easier bias. Among the second liners, **Chesterfield** rose 20 to 493p as the company sought approval from convertible preference shareholders to buy back its ordinary shares on asset value attractions.

**Bat Industries** held up reasonably well in the early dealings, but eventually succumbed to currency worries and closed with a fall of 16 on the day at 438p.

Movements in the Textile sector were usually against holders, with falls of around 5 recorded in **J. Foster**, 103p, and **Seet**, 125p.

**Globe**, the premier investment trust, improved to 132p after the disclosure that three coal pensions funds had increased their combined stake in the group to 28.4 per cent.

Miscellaneous financials were often easier with **Smith New Court** losing 10 to 200p and **Close Bros.** a like amount to 180p.

Traded option activity was on a par with Monday with some 26,093 contracts arranged. Calls were 15,448 and puts 10,645. The **FTSE** contract contributed 790 calls and 1,089 puts, while **British Gas** attracted 1,191 calls and 1,450 puts. **Rolls-Royce** calls were 2,378 with puts at 1,813.

## Traditional Options

● **First dealings Nov 16● Last dealings Nov 27● Last declarations Feb 18● For Settlement Feb 29** *For rate indications see end of London Share Service*

Stocks to attract money for the call included **Hillsdown Holdings, Stylo, Sears, GKN, TNT, Consolidated Gold Fileds, Tozer Kemsley and Millbourn, Eagle Trust, James Finlay, Norex, Hawtin, Rowntree, Burton, Bat Industries, Bell Resources, Osseroy, Hawtal Whiting, Aran Energy, Benjamin Priest, Johnson and Firth Brown, Beecham and Midsummer Leisure.** No put or double options were reported.

## FINANCIAL TIMES STOCK INDICES

| | Nov. 17 | Nov. 16 | Nov. 13 | Nov. 12 | Nov. 11 | Year Ago | 1987 High | 1987 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 90.74 | 90.28 | 90.63 | 91.14 | 90.99 | 81.32 | 93.32 (8/5) | 83.73 (19/10) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 95.34 | 95.20 | 95.36 | 95.66 | 95.11 | 88.59 | 99.12 (15/6) | 90.23 (2/1) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary ♥ | 1310.6 | 1325.6 | 1317.1 | 1328.8 | 1290.0 | 1271.6 | 1926.2 (16/7) | 1232.0 (9/11) | 1926.2 (16/7/87) | 49.4 (26/6/40) |
| Gold Mines | 284.0 | 288.2 | 288.2 | 282.6 | 268.6 | 304.0 | 497.5 (4/8) | 261.6 (6/11) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| Ord. Div.Yield | 4.73 | 4.66 | 4.69 | 4.65 | 4.78 | 4.46 | | | | |
| Earnings Yld. %(full) | 11.68 | 11.51 | 11.60 | 11.51 | 11.88 | 10.35 | | | | |
| P/E Ratio (net)(*) | 10.47 | 10.62 | 10.54 | 10.63 | 10.30 | 11.82 | | | | |
| SEAQ Bargains (5pm) | 26,011 | 36,342 | 42,229 | 56,334 | 39,730 | 23,762 | | | | |
| Equity Turnover (£m) | - | 1301.55 | 1303.63 | 1693.53 | 1399.74 | 914.07 | | | | |
| Equity Bargains | - | 40,722 | 51,882 | 58,432 | 43,892 | 38,380 | | | | |
| Shares Traded (ml) | - | 657.3 | 610.6 | 804.8 | 653.5 | 353.1 | | | | |

### S.E ACTIVITY

| Indices | Nov.16 | Nov.13 |
|---|---|---|
| Gilt Edged Bargains | 114.3 | 130.8 |
| Equity Bargains | 264.2 | 336.2 |
| Equity Value | 2630.8 | 2635.0 |
| 5-Day average | | |
| Gilt Edged Bargains | 148.8 | 166.2 |
| Equity Bargains | 307.3 | 298.8 |
| Equity Value | 2856.0 | 2703.7 |

| ♥ Opening | 10 a.m. | 11 a.m. | Noon | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 1317.4 | 1323.3 | 1323.0 | 1330.1 | 1328.4 | 1327.7 | 1320.6 | 1317.3 |

Day's High 1331.6 Day's low 1310.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.32.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

## NEW HIGHS AND LOWS FOR 1987

**NEW HIGHS (5).**

BRITISH FUNDS (2) Transport 3pc. 1978-88, Treas. 2pc. IL 1988, AMERICANS (1) Premark Intl., BUILDINGS (1) Gibbs & Dandy, SHIPPING (1) P & O 5.5pc. Red. Non-Cum Pref.

**NEW LOWS (31).**

BANKS (1) Rea Bros. Group, BREWERS (2) Burtonwood Brewery, Clark (Matthew), BUILDINGS (2) London & Clydeside, Wiggins Group, STORES (1) Cantors "A", ELECTRICALS (7) Crystalate, DDT Group, Eurotherm Intl., Memec, Multitone Elect., Neotronics Tech., Systems Reliability, ENGINEERING (3) Cohen (A.), Dale Group, Spirax-Sarco, FOODS (1) Daniels (S.), INDUSTRIALS (4) Bowater Inds., Bridport-Gundry, EIS, Select Appointments, PAPERS (3) Davidson Pearce, Holmes Marchant, Norton Opax 5¾pc. Cnv. Cum. Red. Pref., PROPERTY (1) Country & New Town, TRUSTS (4) Nth. Atlantic Sec., Romney Trust, Britannia Arrow, Edinburgh Fund Managers, MINES (1) Portman Mining, THIRD MARKET (1) Amercoeur Energy.

## FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

### EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Tuesday November 17 1987

[illegible]

### FIXED INTEREST

[illegible]

## LONDON TRADED OPTIONS

[illegible]

November 17. Total Contracts 26,093. Calls 15,448. Puts 10,645. FT-SE Index Calls 790 Puts 1,089. *Underlying security price.

## TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

| Stock | Volume 000's | Stock | Volume 000's | Stock | Volume 000's |
|---|---|---|---|---|---|
| ASDA-MFI | 3,000 | English China Clays. | 624 | Plessey | 7,600 |
| Allied-Lyons | 1,800 | Enterprise Oil | 157 | Prudential | 887 |
| Amstrad | 1,400 | Fisons | 666 | Racal | 1,900 |
| Argyll Group | 4,400 | Gen. Accident | 362 | Rank Org. | 800 |
| Assoc. Brit. Foods | 883 | Gen. Elect | 2,800 | RMC | 357 |
| BAA | 1,400 | Glaxo | 1,300 | RHM | 306 |
| [illegible] | | | | | |

## RISES AND FALLS YESTERDAY

[illegible]

## LONDON RECENT ISSUES

### EQUITIES

[illegible]

### FIXED INTEREST STOCKS

[illegible]

### RIGHTS OFFERS

[illegible]

# WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

## CANADA

TORONTO
*Prices at 2.30pm November 17*

MONTREAL
*Closing prices November 16*

## Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

TORONTO

## OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 31

## NEW YORK ACTIVE STOCKS

| Monday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Ning Mohwk (xd) | 3,169,600 | 13½ | − ⅛ |
| GTE Corp | 0,559,500 | 35⅝ | + 1⅛ |
| Cen Ill PS | 6,183,100 | 20⅞ | — |
| Con Ed NY | 5,712,700 | 43¾ | + ⅞ |
| Wash Wtr (xd) | 2,335,900 | 24 | − ½ |
| AT&T | 2,261,200 | 29½ | + ⅞ |
| IBM | 1,739,700 | 120 | − 1⅝ |
| Gen Electric | 1,600,300 | 45⅛ | − ⅝ |
| Squibb (xd) | 1,327,800 | 68⅝ | − 4⅞ |
| Exxon | 1,112,900 | 41¼ | + ⅝ |

TOKYO – Most Active Stocks
*Tuesday, November 17, 1987*

| | Stocks Traded | Closing Prices | Change on Day |
|---|---|---|---|
| Nippon Steel | 15.27m | 415 | − 1 |
| Ajinomoto | 9.88m | 3,590 | + 40 |
| Kawasaki Steel | 8.91m | 328 | − 2 |
| Hitachi | 8.88m | 1,210 | − 30 |
| Japan Synth Rubber | 8.03m | 751 | − 21 |
| Hazama-Gumi | 6.43m | 778 | − 17 |
| Nippon Kokan | 5.27m | 329 | − 2 |
| Matsushita Elec Ind | 4.79m | 2,140 | − 50 |
| NEC | 4.20m | 1,850 | − 30 |
| Sumitomo Metal | 3.86m | 288 | − 6 |

## LONDON
Chief price changes
(In pence unless otherwise indicated)

RISES:

| | | |
|---|---|---|
| Tr 10% 2003 | £106³¹⁄₃₂ | +1¼ |
| Carlton Comms | 560 | +27 |
| Standard Char | 470 | +27 |

FALLS:

| | | |
|---|---|---|
| Allied-Lyons | 326 | −10 |
| BOC Group | 345 | −16 |
| Beecham | 440 | −14 |
| Brit. Aerospace | 310 | −13 |
| Caird (A) | 155 | −20 |
| GUS A | £11 | −⅛ |
| Jaguar | 307 | −15 |
| Lex Service | 281 | −10 |
| Marks & Spenc. | 184 | −14 |
| Meyer Intl | 318 | −21 |
| NatWest Bank | 548 | −15 |
| Norcros | 323 | −16 |
| Reed Intl | 342 | −16 |
| SAC Intl | 205 | −38 |
| Saatchi & S. | 350 | −19 |
| TI Group | 246 | −12 |
| Whitbread | 257 | −14 |

*Prices at 3.00pm, November 17*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 25⅝ | 14¾ | AAR s | .36 | 2.1 | 16 | 70 | 17⅝ | 16¾ | 16¾ | −1¼ |
| 32½ | 17½ | AFG s | .16 | .7 | 8 | 632 | 25¼ | 24 | 24 | −1¾ |
| 27 | 10½ | AGS s | | | 13 | 130 | 15¾ | 15⅝ | 15⅝ | −⅛ |
| 9⅝ | 3¼ | AM Intl | | | 48 | 1202 | 5½ | 5¼ | 5¼ | −⅛ |
| 65½ | 29½ | AMR | | | 9 | 3841 | 33⅛ | 32⅝ | 32⅝ | −¾ |
| 12¼ | 6⅝ | ARX s | | | 7 | 244 | 7 | 6⅝ | 6⅞ | |
| 73½ | 34½ | ASA | 2a | 4.6 | | 643 | 45⅝ | 43⅝ | 43⅝ | −1¼ |
| 22⅜ | 9½ | AVX | | | 17 | 1387 | 13¼ | 12⅞ | 13⅛ | −¼ |
| 67 | 40 | AbtLab | 1 | 2.2 | 17 | 2963 | 47 | 45½ | 45⅞ | −1⅞ |
| 28 | 15¾ | AbitibI g | | | | 11 | 17¼ | 17 | 17¼ | +¼ |
| 16¾ | 9 | AcmeC | .40 | 4.3 | 10 | 108 | 9½ | 9⅜ | 9⅜ | −⅛ |
| 10½ | 6⅛ | AcmeE | .32b | 4.4 | 25 | 1 | 7¼ | 7¼ | 7¼ | −⅛ |
| 19½ | 13⅞ | AdaEx | 3.34e | 20. | | z166 | 17 | 16⅞ | 17 | −⅛ |
| 18½ | 7¾ | AdmM s | .24 | 2.6 | 7 | 153 | 9⅜ | 9 | 9⅜ | |
| 35 | 14⅜ | AdvSys | | | 17 | 88 | 27 | 26½ | 26½ | −⅞ |
| 24⅞ | 8½ | AMD | | | | 3462 | 10¼ | 9¾ | 9¾ | −¾ |
| 56¾ | 30½ | AMD pf | 3 | 9.7 | | 277 | 31¼ | 31 | 31 | −½ |
| 11⅞ | 4¾ | Adobe | | | | 2117 | 5⅛ | 4⅞ | 5 | −⅛ |
| 20½ | 15½ | Adob pf | 1.84 | 11. | | 7 | 17⅜ | 17⅛ | 17⅜ | |
| 15 | 6⅛ | Advest | .12a | 1.5 | 6 | 88 | 8⅛ | 7⅝ | 7⅞ | −⅛ |
| 68¼ | 45 | AetnLf | 2.76 | 6.7 | 7 | 2164 | 49⅝ | 48¼ | 48¾ | −¾ |
| 99 | 87¾ | AetL pfC | 5.77e | 6.2 | | 3 | 93¼ | 93¼ | 93¼ | −1⅞ |
| 83½ | 30⅝ | AflPb s | .32 | .7 | 7 | 1186 | 49 | 47¾ | 47⅞ | −⅞ |
| 28⅞ | 15 | Ahmans | .88 | 5.8 | 6 | 3578 | 15⅞ | 15¼ | 15¼ | −⅜ |
| 6⅜ | 1¾ | Aileen | | | | 60 | 2⅜ | 2⅜ | 2⅜ | −⅜ |
| 53⅞ | 29 | AirPrd | 1 | 2.8 | 13 | 2200 | 36½ | 35⅞ | 35⅞ | −½ |
| 36 | 11½ | AirbFrt | .60 | 4.8 | 8 | 325 | 12⅝ | 12½ | 12⅝ | −¼ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Continued on Page 31

# NYSE COMPOSITE PRICES

Continued from Page 30

[illegible]

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **X Y Z** | | | | | | | | |
| 85 | 50 | Xerox | 3 | 5.2 | 12 | 906 | 58 | 57¼ | 57¼ | −1¼ |
| 58⅛ | 52½ | Xerox pf5.45 | | 10. | | 361 | 54¼ | 54 | 54 | −¼ |
| 31½ | 18¾ | XTRA | .64 | 2.8 | 15 | 170 | 23¼ | 22¾ | 23¼ | −¼ |
| 33⅞ | 16⅛ | Yorkin | | | 9 | 52 | 22½ | 22½ | 22½ | −⅛ |
| 7¼ | 2¼ | Zapata | | | | 909 | 3¼ | 3 | 3 | −¼ |
| 37 | 14⅝ | Zayre | .40 | 2.2 | 7 | 2332 | 19⅛ | 18⅛ | 18⅝ | −⅞ |
| 16⅛ | 9¼ | Zemex | .40 | 3.9 | 9 | 3 | 10¼ | 10 | 10¼ | |
| 33⅝ | 10 | ZenithE | | | | 732 | 14⅜ | 13⅞ | 14 | −¼ |
| 13½ | 3⅛ | ZenLab | | | | 894 | 4⅛ | 3⅞ | 4 | −⅛ |
| 26½ | 13½ | ZenNtl | .80 | 4.8 | 8 | 370 | 16½ | 16¼ | 16½ | +⅛ |
| 20⅝ | 11⅞ | Zero | .36 | 2.9 | 12 | 26 | 12⅞ | 12⅝ | 12⅝ | −⅜ |
| 30¾ | 15 | Zurnin s | .68 | 3.7 | 12 | 84 | 18⅝ | 18⅜ | 18⅜ | −⅜ |
| 10⅝ | 7⅛ | Zweig | .65e | 7.5 | | 629 | 8⅞ | 8⅝ | 8⅝ | −¼ |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.



# AMEX COMPOSITE PRICES

*Prices at 3.00pm, November 17*

[illegible]

# OVER-THE-COUNTER

*Nasdaq national market, 2.30pm prices*

[illegible]

Continued on Page 29

WORLD STOCK MARKETS

FINANCIAL TIMES

AMERICA

# Dow declines as hopes for deficit package wane

## Wall street

US EQUITIES fell across the board yesterday as pessimism deepened that a credible package to cut the US budget deficit would emerge this week, *writes Janet Bush in New York.*

At 2pm the Dow Jones Industrial Average stood 43.76 points lower at 1,905.34. Share prices started falling as soon as trading got underway, reflecting the poor showing on the Tokyo equity market and a falling and highly vulnerable dollar.

US financial markets remained dominated by this week's talks in Washington on reducing the budget deficit. As the talks stagger on with apparently minimal progress and increasing political acrimony, confidence has waned.

There is increasing concern that, even if a package is announced this week to cut the deficit by more than the $23bn required under the Gramm-Rudman-Hollings deficit reduction law, the dollar will still come under selling pressure. The very least the markets can hope for is an agreement to cut the deficit by $30bn over two years, the figure President Ronald Reagan suggested was achievable.

The pessimism which pressured both the dollar and equity prices spilled over into the US bond market. By midsession, the Treasury's benchmark 8.75 per cent 30-year bond had lost ⅔ of a point at 99.14 to yield 8.92 per cent, as bonds failed to take advantage of weakness on the equity market.

Renewed concern about events in Washington seemed, however, to have provoked another flight into short-term government paper. The three-month Treasury bill rate dropped about 14 basis points to a bond-equivalent yield of 6.04 per cent. Yesterday's publication of second quarter results by brokerage house Bear Stearns served to highlight the potentially damaging aftermath of October's share price collapse. Wall Street firms generally saw their share prices sharply lower yesterday.

Bear Stearns yesterday announced its net income in the second quarter had dropped to a mere $413,000 compared with $49.9m in the previous quarter, a deterioration mostly due to a substantial $96m loss on arbitrage and options operations. Its share price dropped $⅜ to $10¾.

Salomon Brothers fell $¾ to $18¾. Merrill Lynch was $½ lower at $21⅜ and First Boston Corp was $⅜ lower at $24¾.

Most department store issues were sharply lower as several retailers announced their latest results. Dayton Hudson turned in lower net profit per share on continuing operations in the third quarter of 34 cents against 55 cents a year earlier, pushing its share price down $⅜ to $29¾.

J.C. Penney announced higher net profit per share of $1.14 in the third quarter from 77 cents a year earlier. However, its share price fell $1¼ to $44⅛ as the company confirmed it will take a 11 cents per share loss in a later quarter on its sale of a substantial interest in a Belgian retailer.

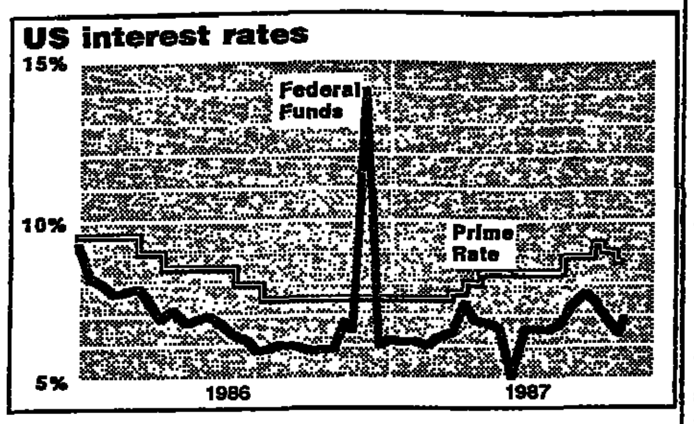
Public Service of New Hampshire, facing enormous cash problems in connection with its investment in the Seabrook nuclear plant, dropped $⅛ to $3⅜. The company announced late on Monday it was likely to suspend interest payments on $320m unsecured debt.

CNW, parent of the Chicago and North Western Transportation Company, rose $⅛ to $24½ after news that the board had accepted a proposal from an investor group, led by the investment banking firm Gibbons Green Van Amerongen, to acquire the company in a deal worth $578m or $31 a share.

Dun and Bradstreet dropped $½ to $52⅜ after news that the Federal Trade Commission voted unanimously to start blocking procedures against the company's acquisition of Information Resources of Chicago, another leading consumer market research company, which plunged $8 to $13 on heavy volume of more than 2.2m shares.

Citicorp's share price dropped $⅜ to $19⅞ after the company said it planned to shed 1,000 jobs by the end of the year.

**US interest rates**




## Canada

DOUBTS that the US would be able to come with a credible package to reduce the budget deficit and a lower start on Wall Street dragged stocks in Toronto broadly lower.

In lower mines, Alcan Aluminium fell C$1 to C$31¼, Noranda dropped C$⅜ to C$21⅜ and Cominco lost C$⅛ to C$12⅜.

Golds were mostly lower. Lac Minerals dropped C$½ to C$11, International Corona fell C$⅜ to C$47⅞ and Echo Bay declined C$⅛ to C$24⅜.

Energy issues were broadly lower with Imperial Oil class A down C$2 to C$53⅜, Shell Canada sliding C$1⅛ to C$31¼ and Gulf Canada Resources dropping C$1⅛ to C$14⅞.

Fletcher Challenge Ltd announced plans to offer C$19 a share for the 52 per cent interest in BC Forest Products it does not own. BC Forest rose C$1⅜ to C$18½.

Blue chips were mixed. Seagram dropped C$1¼ to C$72½ and Canadian Pacific declined C$½ to C$19⅜. Northern Telecom, which has agreed to purchase 3,225,000 treasury shares of International Verifact Inc at 60 cents per share, fell C$⅛ to C$21⅜.

Banks were lower across the board, with Royal Bank falling C$½ to C$26⅞, Bank of Montreal dropping C$⅜ to C$25 and Bank of Nova Scotia slipping C$⅛ to C$11¾.

ASIA

# Nikkei eases as shy investors watch dollar

## Tokyo

UNCERTAIN over the longer outlook for the dollar and prospects of agreement to cut the US budget deficit, investors in Tokyo were noticeably absent from the trading floor yesterday and prices turned down for the first time in four sessions, *writes Shigeo Nishiwaki of Jiji Press.*

Some speculative favourites held firm, but leading stocks, such as large-capitalisation and high-technology issues, declined.

The Nikkei average dipped 271.15 to 22,344.28 on turnover of only 270.56m shares, down from Monday's 292.15m, the second thinnest volume this year. Losses far outnumbered advances by 622 to 246, with 142 issues unchanged.

One senior trust banker said he had no plans to buy and forecast the Nikkei to fall below 20,000 early next year.

Ajinomoto, which has an anti-cancer agent already on the market, rose on again on considerable interest in the effective use of the agent against AIDS. The issue rose Y40 in busy trade to Y3,590 after touching a day's high of Y3,640.

Japan Synthetic Rubber, which has developed a paper battery jointly with Matsushita Electric Industrial, was busy but succumbed to late profit-taking to finish Y21 lower at Y751.

Nippon Steel was the most active stock, but with only 15.27m shares changing hands. It lost Y1 to Y419. Kawasaki Steel shed Y2 to Y328 and Sumitomo Metal Industries was down Y6 to Y288.

High-techs lost ground, with Hitachi falling Y30 to Y1,210, Matsushita Electric Industrial Y50 lower at Y2,140 and NEC down Y30 to Y1,950. Sony saw a Y130 drop to Y4,870 as profit-taking in high-tech issues set in.

Nippon Telegraph and Telephone (NTT) declined Y50,000 to Y2.65m. The market was watching NTT's price moves more closely than ever as the 1.95m NTT shares the Government recently released will be delivered to investors on Thursday, sharply boosting the number of NTT shares on the market.

Bond prices spurted as the yen surged against the dollar. Little progress in the US budget talks spurred buying and the yield on the benchmark 5.1 per cent Government bond, due in June 1996, opened at 5.230 per cent compared with Monday's 5.185 per cent and fell steadily to finish at 5.070 per cent.

Dealers were not too perturbed by an 11.7 per cent rise in Japan's M2 plus Certificate of Deposit money supply for October, judging that the rise due to special factors, including a steep increase in large-lot time deposits.

The wait-and-see mood continued on the Osaka Securities Exchange and prices turned lower. The OSE stock average lost 189.92 to 22,813.57 on trading totalling 34.86m shares, up 1.18m.

## Singapore

UNCERTAINTY over the outcome of Washington's budget talks dogged Singapore shares, dragging prices lower in thin trade as local and overseas institutions sat out the session. The Straits Times industrial index closed 17.19 off at 827.00.

Quality issues again lost favour, with Fraser and Neave another 35 cents off at S$7.20, DBS down 30 cents to S$9.20, Metro 25 cents lower at S$6.75 and Singapore Airlines down 15 cents to S$9.30.

Sime Darby was again busiest, with 1.6m shares traded, falling 10 cents to S$1.88.

## Hong kong

IN THE absence of fresh market leads, Hong Kong share prices remained depressed by concern over the US budget deficit. The Hang Seng index closed down 20.49 at 2,230.37 after retreating from an early 13-point gain.

Hongkong Land, up 5 cents to HK$7.35, held centre stage, with local syndicates reportedly augmenting their stakes in the group. Jardine Strategic Holdings, which owns 29 per cent of Hongkong Land, also added 5 cents to HK$7.35.

Properties fell, with Sun Hung Kai down 20 cents to HK$8.80, New World Development off 10 cents at HK$7.25 and Hang Lung Development 10 cents easier at HK$4.60.

## Australia

THE FILLIP of better than expected October trade figures and stronger shares in New York and London lifted Sydney prices slightly. The All Ordinaries index closed 5.2 higher at 1,296.8.

Bell Group, up 35 cents to A$2.45, and Bell Resources, 25 cents higher at A$1.90, again preoccupied the market as rumours spread they would bid for market leader BHP, which fell 6 cents to A$7.24. John Elliott's IXL, BHP's second biggest shareholder, picked up 3 cents to A$2.95.

Industrials made good ground, with Lend Lease starring with a 30 cent rise to A$10.30. Golds, however, fell back.

## SOUTH AFRICA

THE MODEST rise in bullion prices on the weaker dollar helped nudge Johannesburg gold shares higher in steady trade.

Among the biggest gains in golds, Randfontein added R6 to R306, while Libanon was 75 cents up at R12. Welkom picked up R1.25 to R28.75, but Vaal Reefs lost R5 to R305.

Platinums firmed with gold issues, with Impala climbing 50 cents to R30. Anglo American gained another 50 cents to R59.50 in mining financials, but Gencor slipped 50 cents lower to R54.50.

Diamond Share De Beers fell 10 cents to R29.90. Industrials were mixed to easier, with sector leader Barlow Rand up 25 cents at R19.50 on news of better profits and dividend payout.

**Hilary Barnes in Copenhagen examines a minor casualty of the world market collapse**

# Denmark falls slightly from little height

NO BOUNCE, no bump. This, in short, explains why the Copenhagen equity market has survived the past month with only a comparatively minor setback.

However the decline is measured, from 1987 high to low, from October 13 to the present, or since this time last year, the decline in the all-share index has been mild: about 13 per cent since October 13, about 17 per cent from high to low, and almost no change since a year ago.

The sorrier side of the story, however, is that Copenhagen's equity market did not soar together with most other markets.

The last big bull market in Copenhagen ran from the autumn of 1982 to the end of 1983, when share prices more than doubled. There was not much movement again until the spring of 1986, when the market put on about 20 per cent and the index (Jan 1 1983 = 100) reached its highest so far, at 250 on April 18, before flopping back to a low of 186 on November 11 last year.

Its highest point this year, at 219 in August, was reached on expectations that the September 8 election to the Folketing (parliament) would produce a solid majority for Prime Minister Mr Poul Schlueter's four-party non-socialist government. When the minority government in fact lost ground, the puff went out of the market again. By October 13, when world markets began to soften before the crash, the Copenhagen index was 212.30. Yesterday it closed at 182.50

The dull performance of the small Danish market, which is capitalised at about DKr127bn ($19.8bn) and saw a 1986 turnover of only DKr15bn, can be attributed to two related factors. First is the serious long-term problem of Denmark's persistent current account deficit and large foreign debt, which is about 40 per cent of GDP.

The second is the high yields obtainable in the domestic bond market. With a turnover of around DKr4,000bn, the bond market completely dwarfs Copenhagen's equity market.

Effective yields on mortgage bonds for most of this year have fluctuated from 11.5 to 13 per cent and on government bonds from 10 to 11.5 per cent. With inflation running at about 4 per cent, these yields have made bonds a more attractive investment than equities, despite modest price/earnings ratios.

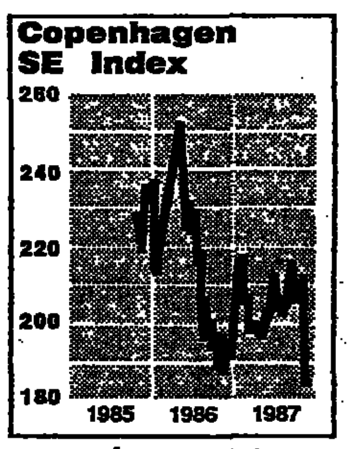
In addition, Danish investors have been tempted to place substantial sums in foreign equities, which had seemed a much better bet than domestic ones.

It is indicative of the country's economic predicament that the market index for industrial issues has been performing particularly badly, ending last year at 152 and currently lying at about 136. Insurers, banks and service companies have, meanwhile, have fared much better, with the index for insurers - dominated by Baltica, Hafnia and Codan - at about 372, for banks at 229 and for service companies at 239.

For exporting companies, this year's rise of about 10 per cent in hourly wage costs, plus the strength of the krone, which is linked to the D-Mark through the European Monetary System, are having a nasty effect on profits.

However, the Danish market has to some extent been isolated from the general market collapse due to the relatively small number of shares in which there is a significant foreign interest. Such stock includes Novo, the enzymes and pharmaceuticals company, Sophus Berendsen, which holds the majority in the London-listed Rentokil, ISS, the cleaning group, and a handful of others.

**Copenhagen SE Index**




EUROPE

# Transatlantic worries cast a pall

CONFLICTING signals from the US on the state of talks to reduce the US budget deficit disheartened investors in Europe yesterday and a downturn in the dollar depressed blue chips in sombre, quiet trading.

**FRANKFURT** received two sharp blows in the forms of the lower dollar and news of a dividend cut by Siemens. Down on the day, shares were off their early lows when prices lost up to 10 per cent.

The midsession Commerzbank index dropped 48.3 or 3.4 per cent to 1,356.2 and the Boersen-Zeitung index ended a net 5.2 or 1.8 per cent lower at 285.91.

Siemens ended down DM17.5 at DM391 after falling DM37.10 earlier.

News of a rise in Hoechst's profits helped chemicals avoid the worst of the losses. Hoechst ended just 50 pfg lower at DM255, BASF slipped DM1 to DM257 and Bayer dropped DM4 to DM275.

Cars skidded on the weaker dollar. Daimler lost DM29.50 to DM680.50, VW fell DM9.20 to DM266 and BMW eased DM10 to DM445.

## London

**LONDON was again dominated by heavy trading in the "new" shares of BP, which the City saw as a sign that a big foreign investor is seeking a stake in the UK oil group, in which the Kuwait Investment Office recently bought a 4.9 per cent holding. Volume of 274m BP "new" shares represented nearly half the day's total business in ordinary shares.**

The Bundesbank sold DM177.6m of paper after buying DM114m on Monday.

**ZURICH** reacted to the one centime fall in the dollar by dropping sharply with trading in some shares suspended after they dropped more than 10 per cent.

The all-share Swiss index tumbled 30.5 to 822.2 in nervous trading.

The biggest losses were in the financial and industrial sectors as Holderbank gave up SFr225 to SFr4,575 and Elektrowatt fell 6 per cent or SFr200 to SFr3,150.

**AMSTERDAM** drifted steadily downwards in tandem with the dollar, taking all blue chips broadly lower.

Royal Dutch fell Fl 6.00 to Fl203.80, Unilever closed Fl 4.60 down at Fl 106.90 and KLM declined Fl 2.10 to Fl 28.90.

Banks and insurers lost ground, with Aegon down Fl 2.40 at Fl 58.20 and Amro losing Fl 2.00 to Fl 62.50.

**PARIS** declined over a broad front in the absence of concrete moves towards reducing the US deficit. This, and the lower dollar, triggered a bout of profit-taking after Monday's advance of almost 5 per cent.

The CAC index dipped 4.2 to 298.7 with selective interest in banking and construction shares stalling a sharper fall.

Leading blue chips underlying the share options market were mixed. Peugeot was FFr44 lower at FFr1,051 and Paribas dropped FFr8.50 to FFr333.50 but Lafarge Coppee gained FFr9 to FFR1,225.

**BRUSSELS** followed major bourses downwards and, depressed by the easier dollar, share prices ended moderately lower. The cash market index shed 28.29 to 3,906.55 in lacklustre trade.

Bluechip oil share Petrofina was down BFr250 at BFr9,630.

Holdings closed a shade lower with Reserve down BFr5 to BFr2,410 and Groupe Bruxelles Lambert off BFr70 at BFr2,680.

**STOCKHOLM** grew nervous before Volvo's interim report and signs of progress towards reducing the US deficit. Profit-taking also eroded many gains.

Volvo closed unchanged at SKr277 in active turnover. Volvo's report, showing a record third quarter, was announced after the close.

**OSLO** saw its run of rallies come to an abrupt end as the dollar resumed a downward path. Concern over North Sea oil revenues resurfaced took the all-share index down 7.30 to 281.47.

In oils, Saga Petroleum lost NKr6 to NKr97 and Norsk Hydro fell NKr10.5 to NKr152.

**HELSINKI** rose for the fourth consecutive session, taken quietly higher by demand for banks. The Unitas all-share index added 7.2 to 580.6 in busy trading.

## FT – ACTUARIES WORLD INDICES

**Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries**

| NATIONAL AND REGIONAL MARKETS | MONDAY NOVEMBER 16 1987 | | | | | FRIDAY NOVEMBER 13 1987 | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Local Currency Index | 1987 High | 1987 Low | Year ago (approx) |
| Australia (89) | 97.01 | +2.2 | 82.12 | 93.91 | 4.33 | 94.88 | 79.54 | 92.11 | 180.81 | 85.80 | 87.54 |
| Austria (16) | 90.56 | −0.2 | 76.66 | 80.53 | 2.62 | 90.77 | 76.09 | 79.76 | 102.87 | 85.53 | 93.84 |
| Belgium (48) | 102.80 | +1.9 | 87.02 | 91.14 | 5.27 | 100.84 | 84.54 | 88.28 | 134.89 | 96.19 | 93.72 |
| Canada (127) | 102.61 | +0.2 | 86.86 | 97.89 | 3.15 | 102.38 | 85.83 | 97.78 | 141.78 | 98.15 | 99.40 |
| Denmark (38) | 108.92 | −0.9 | 92.19 | 97.25 | 3.07 | 109.86 | 92.10 | 97.23 | 124.83 | 98.18 | 94.86 |
| France (120) | 86.69 | +4.2 | 73.38 | 78.29 | 3.52 | 83.21 | 69.76 | 74.73 | 121.82 | 77.39 | 94.04 |
| West Germany (93) | 77.25 | +0.7 | 65.39 | 68.37 | 2.81 | 76.75 | 64.34 | 67.35 | 104.93 | 68.91 | 92.80 |
| Hong Kong (46) | 88.48 | +4.2 | 74.90 | 88.67 | 5.53 | 84.90 | 71.17 | 85.02 | 158.68 | 75.82 | 87.15 |
| Ireland (14) | 107.65 | +0.4 | 91.12 | 97.61 | 4.69 | 107.26 | 89.92 | 96.20 | 160.22 | 96.20 | 89.52 |
| Italy (94) | 75.55 | +1.8 | 63.95 | 70.36 | 2.73 | 74.24 | 62.24 | 68.92 | 112.11 | 72.04 | 97.17 |
| Japan (458) | 135.41 | +0.2 | 114.62 | 116.83 | 0.59 | 135.19 | 113.33 | 116.13 | 161.28 | 100.00 | 87.86 |
| Malaysia (36) | 104.29 | +1.7 | 88.28 | 100.76 | 3.56 | 102.59 | 86.00 | 98.96 | 193.64 | 98.24 | 98.94 |
| Mexico (14) | 180.62 | −6.7 | 152.89 | 333.25 | 0.89 | 193.69 | 162.38 | 360.01 | 422.59 | 99.72 | 94.75 |
| Netherland (37) | 99.79 | +2.3 | 84.47 | 87.45 | 5.18 | 97.55 | 81.78 | 84.59 | 131.41 | 87.70 | 95.67 |
| New Zealand (23) | 78.40 | +0.7 | 66.36 | 67.85 | 4.59 | 77.82 | 65.24 | 67.47 | 138.99 | 75.99 | 92.01 |
| Norway (24) | 116.87 | +1.9 | 98.93 | 102.20 | 2.69 | 114.65 | 96.11 | 99.83 | 185.01 | 96.03 | 103.67 |
| Singapore (27) | 99.32 | +1.8 | 84.07 | 93.92 | 2.56 | 97.57 | 81.79 | 92.04 | 174.28 | 90.19 | 99.57 |
| South Africa (61) | 127.19 | +4.7 | 107.67 | 88.28 | 4.65 | 121.49 | 101.85 | 87.81 | 198.09 | 100.00 | 98.81 |
| Spain (43) | 122.39 | −0.7 | 103.60 | 107.05 | 3.87 | 123.23 | 103.31 | 106.57 | 168.81 | 100.00 | 82.60 |
| Sweden (34) | 101.47 | +3.2 | 85.89 | 92.16 | 2.50 | 98.30 | 82.41 | 88.70 | 136.64 | 88.50 | 100.74 |
| Switzerland (53) | 84.50 | +2.0 | 71.53 | 73.42 | 2.29 | 82.87 | 69.47 | 71.28 | 111.11 | 73.65 | 92.15 |
| United Kingdom (332) | 120.02 | −0.3 | 101.59 | 101.59 | 4.55 | 120.39 | 100.93 | 100.93 | 162.87 | 99.65 | 93.78 |
| USA (582) | 100.66 | −0.3 | 85.20 | 100.66 | 3.66 | 101.00 | 84.67 | 101.00 | 137.42 | 92.83 | 100.96 |
| Europe (946) | 99.25 | +0.8 | 84.01 | 86.50 | 3.91 | 98.49 | 82.56 | 85.08 | 130.02 | 92.25 | 93.75 |
| Pacific Basin (679) | 132.11 | +0.3 | 111.83 | 114.88 | 0.80 | 131.72 | 110.43 | 114.07 | 158.77 | 100.00 | 87.91 |
| Euro–Pacific (1625) | 119.00 | +0.5 | 100.73 | 103.56 | 1.84 | 118.47 | 99.31 | 102.51 | 143.65 | 100.00 | 90.22 |
| North America (709) | 100.76 | −0.3 | 85.29 | 100.52 | 3.63 | 101.07 | 84.73 | 100.84 | 137.55 | 93.20 | 100.88 |
| Europe Ex. UK (614) | 86.36 | +1.7 | 73.10 | 77.13 | 3.35 | 84.89 | 71.17 | 75.21 | 111.97 | 78.89 | 93.76 |
| Pacific Ex. Japan (221) | 92.39 | +2.7 | 78.21 | 89.59 | 4.63 | 89.93 | 75.40 | 87.31 | 164.03 | 83.17 | 88.62 |
| World Ex. US (1827) | 118.56 | +0.5 | 100.36 | 103.36 | 1.91 | 117.99 | 98.91 | 102.36 | 143.38 | 100.00 | 90.65 |
| World Ex. UK (2077) | 110.81 | +0.3 | 93.79 | 102.63 | 2.30 | 110.53 | 92.66 | 102.11 | 138.82 | 100.00 | 94.76 |
| World Ex. So. Af. (2348) | 111.51 | +0.2 | 94.39 | 102.58 | 2.50 | 111.33 | 93.33 | 102.04 | 139.47 | 100.00 | 94.63 |
| World Ex. Japan (1951) | 100.23 | +0.2 | 84.84 | 95.22 | 3.77 | 100.01 | 83.84 | 94.77 | 134.22 | 95.64 | 97.93 |
| The World Index (2409) | 111.61 | +0.2 | 94.48 | 102.50 | 2.52 | 111.39 | 93.38 | 101.96 | 139.73 | 100.00 | 94.66 |

Base values: Dec 31, 1986 = 100



Latest prices were unavailable for this edition.

SECTION III

# FINANCIAL TIMES SURVEY

Several developments over the past year suggest that industry may be on the verge of a cultural revolution in its approach to training, says **Charles Leadbeater**. In spite of two key initiatives, the consensus is that there is still some way to go

## A change in attitudes

BUSINESS CONFERENCES up and down the country resound to the message. People are the key to success, skills will be the vital resource of the future, no business will be able to afford to do without a full contribution from its employees.

It has become a comfortable cliche of modern business vocabulary that training will be vital to business success in the face of the uncertainty, the need for permanent change brought on by competition, new technology, changing consumer preferences and the demands for higher quality, more value added.

That training has moved to the centre stage of debates over how to make the British economy more competitive is itself a marked change from a decade ago. But has this interest in training become more than a fashion among managers ? Is British industry set on a path which will lead it significantly to improve its investment in skills?

Over the last few years changes to Britain's training system have been introduced which indicate industry will in future take training much more seriously. What is less clear is whether this will be enough to cut Britain's international skills deficit, raise productivity and sharpen industry's ability to open up new markets.

While the extent of Britain's skills shortfall is difficult to assess, there is little dispute over the need for significantly higher investment in better quality skills. As Mr Geoffrey Hollans, the Manpower Services Commission's director puts it: "The real skills gap is that our country is under-educated, under-trained and under-skilled. And that is because our approach to training has for decades been too little, too narrow, for too few."

The Government, via the MSC and the Department of Education and Science, has set about reforming the education system to raise educational standards and ensure that it provides industry with recruits who have some vocational education. The Training and Vocational Education Initiative, for secondary schools, which has been accepted by almost every local education authority, has been reinforced by changes in further education. Last month the commission launched a programme to ensure that by the mid-1990s all undergraduates and gradnates will carry out some vocational study as part of their course.

Combined with the introduction of a core curriculum, the development of vocational qualifications by the National Council for Vocational Qualifications, improvements to the quality of the Youth Training Scheme and greater collaboration between education and industry, these changes address one of industry's main criticisms of the British training system. For employers regularly complain that the skills shortfall is really a creation of an inadequate education and youth training system.

A broader base for higher quality vocational education and training will make adult training more effective and efficient. It will require less investment from industry to improve skills; a better educated workforce will be more adaptable, more confident about changing to meet the challenges of new technology, developing and selling new products.

So the Government's moves to develop an education system which employers will find it harder to criticise, will in turn throw the spotlight on industry's record.

Within the last year several developments suggest that business is prepared to change rather than merely talk about it.

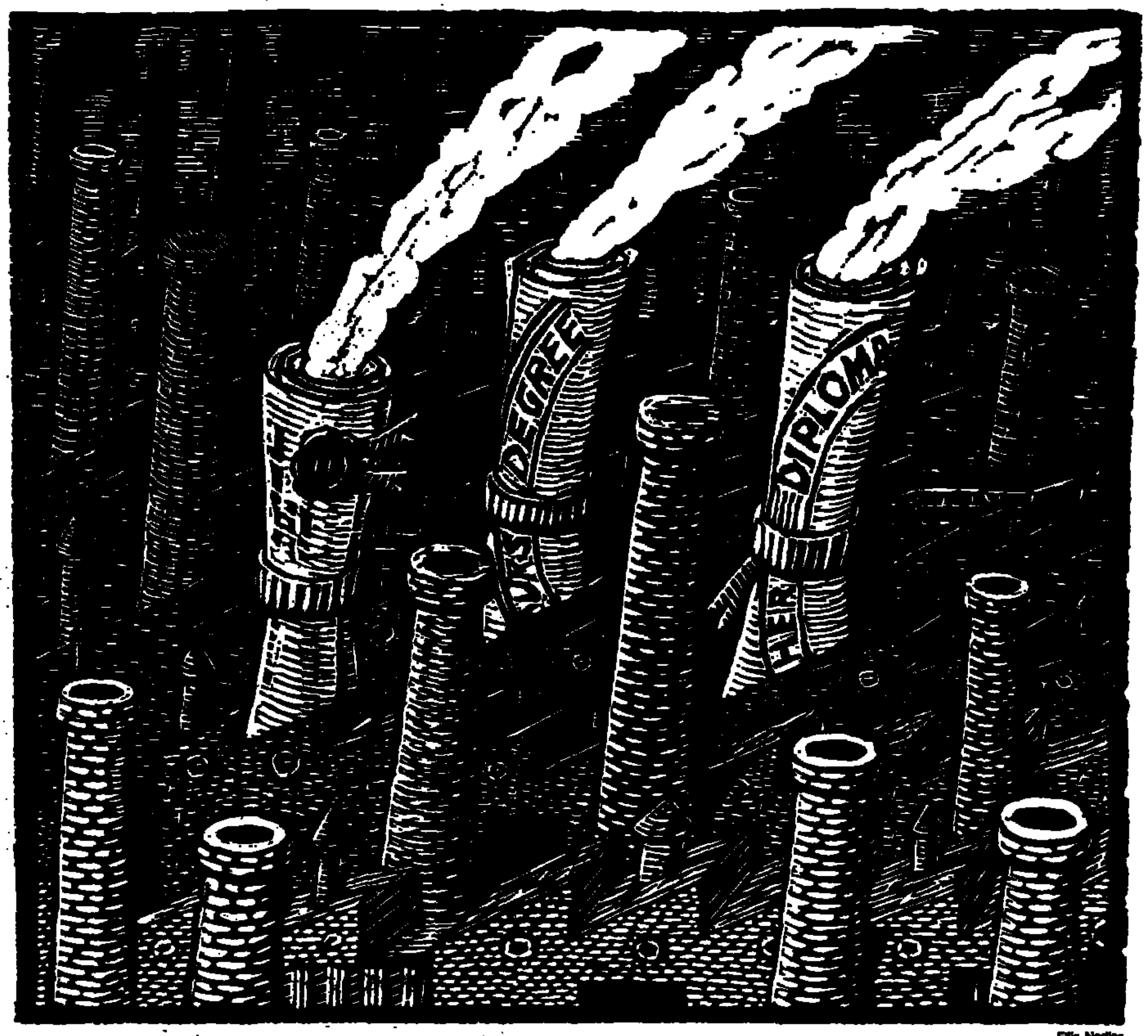
By early next year a task force established by the MSC, the CBI and the Chambers of Commerce will have set up 130 local employer networks - one for almost every local education authority. The aim of the networks is to provide employers with a local focus to co-ordinate and address their training needs, across different sectors. The networks are intended to give employers a channel to influence education provision in their area as well as a forum to share information and advice. Initially most of the networks will be carrying out an audit of training provision and skills shortages within their areas.

This development will be reinforced by industry's growing interest in management training. A working party sponsored by the CBI, the British Institute of Management and the Foundation for Management Education, has launched a plan to establish a charter for management development and training which could have a considerable impact on industry's view of training.

The working party plans to expand the small group of companies involved in the project into a so-called Charter Group of companies. Membership of the group will be open only to companies which provide training and development programmes which meet quality criteria laid down by the group. In tandem, the group will launch a professional qualification for managers, the Chartered Manager, which it hopes will become as widely recognised as qualifications in engineering and accountancy. A growing interest in management training should, in turn, stimulate companies to think more rigorously about the importance of training in general.

Both initiatives mark a significant change in industry's attitude to training. For in both cases companies are taking it upon themselves to build a training infrastructure which will provide a framework to improve training. It seems increasingly likely that these changes will in turn demand a thorough review of the role of the statutory industry training boards, and the non-statutory training boards which cover most sectors. Should

Continued on Page 2



Ellis Nadler

# Training in Industry

CONTENTS



National training awards

## Companies give the lead

THE NATIONAL Training Awards, which were presented yesterday for the first time, are an attempt to create the annual equivalent of a Queen's Award to Industry for training.

They are the culmination of several years' effort by the Manpower Services Commission to find ways of raising the profile of training within British industry, and make it a subject which attracts the interest - and perhaps even excitement - of management at the most senior level.

The 80 winners were selected from more than 1,200 entries. With a few exceptions - like the British Steel Corporation and the Metropolitan Police - the winners all come from the private sector. A single local authority reached the final stages and narrowly missed winning an award.

Sir John Harvey-Jones, chairman of the judging panel and former chairman of ICI, admits that - given the well-documented deficiencies of training in Britain compared with overseas competitors - he began the task with low expectations. But he was impressed by the quality of many entries.

"I believe it does show there has been a change of attitude towards training in many companies. The striking thing about many of the entries was that a large number of training initiatives clearly are being led from the top. It is apparent that in some organisations training really is now being targeted towards the achievement of business objectives."

Sir John believes the awards have an important part to play in convincing employers and employees that training is not a fringe or optional activity, but one which goes to the heart of business effectiveness.

"The extent to which traditional attitudes have needed changing is remarkable. It is only in Britain that, if your boss wants to send you on a training course, you think it is a sign that you are not up to the job. The suggestion that you need training is regarded as a slur on your ability. Anywhere else, it is regarded as a sign that your company is advancing you and investing money in you."

One of the impressive things about the entries, said Sir John, was the fact that several new small businesses, started by young people, were investing heavily in training even though they did not have great resources at their disposal.

This year the awards were restricted to training within companies and other organisations. Next year they will be extended to allow training providers like colleges to take part. Discussions have also started with the Northern Ireland Department of Economic Development to run next year's scheme in Ulster, where the MSC does not have responsibility. There will also be specific awards for innovation in the development of training methods and media next year.

The award winners include such companies as IBM and Ford which have long had a reputation for treating training as a central activity of their businesses although others with impressive records - like Jaguar Cars - did not enter. While the organisers regard the number of entries as satisfactory for the first year of the award scheme, there will be a drive to encourage far more next year.

Much smaller companies feature among the award winners - like California Cake & Cookie in Glasgow and the Cosmopolitan Hair and Beauty Salon in Manchester. California has grown to a $500,000 turnover since it was formed in 1984, and faced the problem of how to keep its young managers equipped to run a rapidly developing business. Successful training is calculated to have improved profit margins by 5 per cent, reduced labour costs by 30 per cent, and led to better product quality. A London branch is now planned.

The Cosmopolitan ethnic hair salon in Manchester's inner city Moss Side district was losing clientele until a 17-year-old stylist became manager and put herself through extensive training activities. Financial targets are now being met and the salon is gaining a reputation far beyond Moss Side.

**Alan Pike**

## The first National Training Awards, presented yesterday

# Pick of this year's winners

THE **British Steel Corporation**, once one of the most troubled and loss-making steel producers in Europe, has given training a high priority in its successful struggle back to profitability.

It has won its National Training Award for a scheme at the general steels plant at Scunthorpe. The benefits of training schemes cannot always easily be quantified in financial terms. But in this case, BSC calculates that there has been a reduction of £330,000 in the plant's monthly operating costs as a direct result of a training exercise.

BSC says that, in addition to the big reduction in operating costs, the week-long off-the-job training sessions have produced a "continuing trend of improvement in productivity" with plant records broken and an overall improvement in morale.

**Avis Europe** was confronted by a huge training problem when it decided to introduce Wizard, a computerised system to conducting its car rental and reservation transactions.

The company needed to ensure that hundreds of staff in offices throughout Europe could provide services from the day Wizard - which would offer customers two-minute check-out and one-minute check-in of cars - was introduced.

A task force at Avis Europe's UK headquarters developed an entirely in-house training package. This consisted of four days' intensive computer-assisted training, which enabled all staff to be trained simultaneously, just before the Wizard system was launched during a peak rental period.

In the UK, 95 per cent of Avis employees achieved the required standards of proficiency. Versions of the training programme in other languages were successfully introduced in 14 other European countries within six months. Several of the winning organisations have received their awards for innovative activities on the Youth Training Scheme which, some admit, they first joined for social rather than commercial reasons.

**Brush Electrical Machines** at Loughborough is an example of an employer which uses YTS for all its initial training. All trainees aim to achieve externally recognised qualifications, and the company places strong emphasis on counselling and guidance within its programme. The company says the use of YTS across the board has updated its approach to training and created a wider recruitment base. It claims a remarkable 100 per cent employment record for its trainees, either with Brush itself or one of 30 other organisations in the Loughborough area.

ICI's Wilton YTS programme has trained 700 young people in an area of high unemployment

The **United Kingdom Atomic Energy Authority** nuclear power development establishment at Dounreay has operated its own junior training scheme since the 1960s, and this has been developed to accommodate YTS requirements. Since the introduction of YTS, most trainees at Dounreay have been offered permanent employment by the authority, and it says YTS has resulted in substantial annual savings on training time.

**ICI Agrochemicals** did not recruit any 16-year-old school leavers to its Jealott's Hill research station in Berkshire before the introduction of YTS, and it became involved with the scheme primarily for social reasons. The company determined to introduce a high quality scheme, with a one-to-one trainee-supervisor ratio, and the use of many of the same methods as in its mainstream training activities. In spite of the previous policy of not recruiting 16-year-olds, many former YTS trainees have proved suitable for retention on the permanent staff, with 109 out of 111 trainees moving to jobs either within ICI or elsewhere.

**Portals Engineering** at Harwich used YTS to help overcome a shortage of skilled engineering workers in Essex. It has grown from a pilot scheme to one providing opportunities for 400 young people a year. Some 93 per cent of trainees have moved from the scheme to employment or further education, and the company says its training activities have also helped enhance its standing in the local community.

**IBM United Kingdom** is another example of an organisation which rarely employs young people directly but agreed to join YTS for social reasons. More than 1,000 trainees have been through the IBM programme with more than 93 per cent finishing up in jobs or returning to education or further training. IBM says its YTS activities have strengthened its links with the educational system, and opened up opportunities for the development of professional management skills.

**Remploy** employs 9,000 severely disabled people, among whom are 250 YTS trainees. Its training programme is based on identifying the potential of individuals and developing appropriate training activities for them. YTS, says Remploy, is proving a successful way of training its future workforce, with more than 60 per cent of trainees remaining in employment with the company.

The great majority of award winners are in the private sector. But two unusual public sector organisations among themare the **Metropolitan Police** and **St George's Hospital** at Tooting, London.

A policy of decentralisation is being pursued in the Metropolitan Police, and this puts increasing responsibility on middle-ranking sergeants and inspectors. With these officers being expected to make more day-to-day decisions, a new approach to their training was required.

The force's training and development branch last year introduced a "client-centred" training system, in which human resources development courses are run in local police stations. In the future, individual officers will be encouraged to take responsibility for their own training, linked to the development of self-learning packages.

St George's Hospital has developed a three-phase training scheme to extend the role of pharmacists in clinical pharmacy. During the three years the scheme has been in operation the hospital has been able to contain increases in its drug budget, and it says the contribution of pharmacists through more effective and economical prescribing is a leading reason for this. It believes pharmacists are also better able to help with problems referred to them by medical and nursing staff.

**Alan Pike**



## Education in Britain

# The academic stranglehold

ANY BRITISH educational or training institution giving advice to young people ambitious for a well-rewarded career would still do best to recommend financial work. Despite the slide in the stock markets, demand from other areas of industry and commerce for people with skills in finance and accountancy goes on increasing, while recruitment of most other types of specialist staff is falling away.

Remuneration Economics, one of the UK's most respected pay-survey companies, has just reported average earnings increases of 13.2 per cent for financial staff in 1986-87 compared with 11.9 per cent in personnel work, 11.5 in computing and only 8.5 in engineering. There is no guarantee at present that supply will ever outstrip demand," the report declares.

It might therefore be expected that rich odds-on chance of a high-flying career is almost guaranteed to a youngster who diligently follows the standard route for entry into financial work. But that expectation would be wrong. For the standard path into finance - as into most types of higher-grade work nowadays - overwhelmingly emphasises academic study at the expense of practical forms of education. It is in that imbalance that the roots of Britain's shortages of appropriate economic skills lie.

The route into virtually all kinds of desirable work starts, of course, with the acquisition of skills taught by the academic school curriculum. In essence, they are the intellectual skills of understanding and reasoning in terms of systems of symbols - namely, language and mathematics.

While there are numerous post-school courses in principles and techniques of financial work, most people who enter it continue in conventional academic studies beyond the compulsory school age of 16. On entry they are usually given on-the-job training coupled with more intellectual study. Even so, with recruitment into accountancy increasingly restricted to graduates, many entrants are not introduced to the practicalities of their work until the age of 21.

Unfortunately, although intellectual competence and technical knowledge are essential in any professional-type career, they are not the skills that are primarily in short supply, especially at the higher levels of finance. Indeed, the key abilities for which employers are offering ever-increasing rewards are of kinds rarely developed systematically by an education system largely preoccupied with academic pursuits.

For example, even in such technically centred work as internal auditing, the Remuneration Economics report indicates that the scarcity is not of technical proficiency. The problem is "to find people with the maturity and depth of experience needed for jobs with a strong 'diplomatic' content."

Shortage of "maturity and depth of experience" is perhaps not surprising when an increasing number of entrants receive no practical experience until they are 21-plus. "Diplomatic" skill depends far less on understanding data couched in figures and words, than on sensitive perception of what other people mean by their behaviour. That is an ability which formal education seems rarely to foster except through team sports, in which participation is steadily declining.

The hampering lack of such capabilities in finance - where intellectually manipulating systems of symbols does at least constitute a large part of the actual work - is paralleled in other types of occupation.

In medicine, for instance, complaints are heard from general practitioners that young doctors joining them are incapable of empathising with patients; and from veterinary surgeons about recruits with no interest in animals unless they are dead. While there are fair supplies of engineers educated in the computational aspects of their profession, the plight of UK manufacturing indicates a lack of skills in innovative design which depends centrally on a visualising faculty: "the ability to see things which are not yet there."

The evidence is that Britain needs to break the academic stranglehold under which children's lessons are concentrated on either rigorous or "soft-option" scholarly studies until they are at least 14 and in many, if not most, cases two years older. It is time to start educating them from an early age in practical activities, too.

One prospect of breaking the hold will be offered by the forthcoming legislation to establish a national curriculum to be taught by all state-approved schools, which includes technology as one of the compulsory subjects. But the prospect will be lost unless the "technology", as taught, develops the other-than-academic skills of design in addition to the techniques of computation.

Much will depend also on the Government's proposed 20 semi-independent City Technology Colleges. The first of them, which is due to open at Kingshurst, near Birmingham, next September, has made a brave start by deciding against filling its initial 180 places with the most academically able children among the applicants.

The intake will be selected so that it represents an extremely wide range of scholarly aptitudes. The prime criterion of choice will be whether the applicants - and their parents - have the interest and motivation required for success in a tough programme of general studies with emphasis on mathematics, science, technology and business studies.

In the national interest, it is to be hoped that the Kingshurst selection policy and faith in the power of motivation will prove justified enough to be transplanted into the schooling system at large.

**Michael Dixon**

## Management training

# National qualification on way

UK PRODUCTIVITY and output might be up, but for those prophets of doom who enjoy lambasting British management for its incompetence, short-sightedness and narrow-mindedness, 1987 has been an excellent year.

The critics now have two reports to quote from, both of which demonstrate that British managers have a much lower level of education than their counterparts in other major industrial countries.

The reports, one by Prof Charles Handy and the other by John Constable and Roger McCormick, also show that British managers do not devote much time or money to training their successors. In America, almost half of the top companies give their managers more than five days off-the-job training every year. British managers receive an average of only one day's formal training a year.

But if a group of 22 leading British companies get their way, 1988 will be the year when all that begins to change. The companies, which include British Airways, BP, IBM UK, ICI and Jaguar, have set up a "charter group" to help launch a national management qualification. Such a qualification, which all young managers would be encouraged to acquire, was the principal recommendation of the Handy and Constable/McCormick reports.

The group hopes to expand to between 200 to 300 members by the end of the year, with further growth next year. Attracting support from the rest of British industry will be crucial if the diploma is to get off the ground. The Government has made it clear that it is not prepared to take any action itself until industry has decided what sort of qualification it wants.

Mr Robert Jackson, the Education Minister, told a conference of the Business Graduates' Association last month that "it is important for the Government not to take over what must be an industry matter."

The proposed diploma will mix part-time study with work, with the aim of providing younger managers with a set of basic business skills. By combining work and study, the sponsors of the diploma hope to counter one of the basic criticisms that employers make about formal management education in Britain today: that it is too academic and too far removed from real management problems.

Whether such criticism is valid or not, many young managers and prospective managers are still pursuing some of the more traditional management qualifications.

So great is the demand, that in 1986-87 only 27 per cent of those applying to universities for undergraduate business and management degrees could find places on courses, the lowest of any of the 10 most popular first degree subjects. Instead, the European business school at Fontainebleau, which now has more Master of Business Administration students from Britain than from any other country, receives around 2,000 applications for its 300 places.

Some academic institutions have taken the employers' criticisms on board and have taken steps to integrate their teaching with the real world of management. Ashridge Management College in Hertfordshire is about to launch an MBA which, it argues, will integrate theory and practice to a greater extent than degrees elsewhere.

Students on the one-year programme will spend only 18 weeks at Ashridge. The rest of the time will be spent working on a project of strategic importance to their own company. Mr Laurence Handy, the director of the programme, says that "although it's a full-time programme, the person is still working for his organisation. It's the equivalent of being seconded to another part of the organisation. The projects that people will be doing are those which the organisation thinks need to be done."

Other companies have decided to bring management educators in rather than send their managers away for training. For example, the Cookson Group, manufacturer of specialist industrial materials, asked PA management consultants to help it design training courses for 68 senior British and European managers.

The courses, which started this year and will continue throughout 1988, cover the management of people, finance, negotiation, entrepreneurship and business strategy and acquisitions. Some of the managers have also spent their time meeting the challenge of the wild on an Outward Bound course.

Companies like Cookson prefer specially-designed courses to those offered by management colleges because they can be tailored to meet their own organisation's strategic objectives. In Cookson's case, this was the need to develop a common view of management throughout a highly diversified group.

"The main thing they want to develop is a common language, says Mr Archie MacDonald, one of the PA consultants involved in designing and running the courses. "They've had the chance to meet colleagues working in other parts of the group, so that you get some cross-fertilisation. It's the shared experience that is important."

Although tailor-made courses may have great advantages for companies, for managers they have one drawback: they do not provide them with recognised qualifications which they can rely on when applying for work with other companies. Indeed, it is the fear of losing promising managers which dissuades some companies from encouraging their employees to acquire qualifications.

Not all employers adopt this attitude, however. In one interesting development, W H Smith, the newsagents, has linked up with Oxford Polytechnic's school of business to provide the company's managers with academic credits for training programmes that they complete.

By accumulating credits, managers at W H Smith will be able to work towards acquiring qualifications from the polytechnic, ranging from a diploma in management studies to an MBA. The award of the qualification requires additional study set by the polytechnic.

The company says that the possibility of acquiring academic qualifications will provide their managers with an additional incentive to undergo training. Speaking after the link-up was announced earlier this year, Mr Peter Bowen, W H Smith's training manager, said that "as a company we believe it is right to encourage our managers to build upon their skills competence. Performance-related training backed by accreditation for recognised management qualifications is what management development should be about."

**Michael Skapinker**

# New attitudes

Continued from Page 1

the employer networks prove successful they could take over some of the functions carried out by the MSC.

The other significant initiative was the launch in September of the Open College, which aims to provide flexible and distance learning programmes through television, radio, books and cassettes for a wide range of people.

Taken together, these initiatives in suggest that industry may be on the verge of a cultural revolution in its approach to training. But the optimism surrounding these initiatives may merely mask the extent of the change which is required.

Mr Quentin Thompson, a senior training analyst at accountants Coopers and Lybrand comments: "There is greater awareness and discussion of training. But that has not yet translated into enough action. Those who were training are doing it better. Some companies on the borderline have been converted. But the vast bulk of British industry remains pretty complacent about training."

There is still some way to go before even leading companies are abreast of their competitors. Mr Chris Hayes, a training specialist at the Prospect Centre, says: "BMW spends 40 per cent more on training than even Jaguar, which is widely regarded as the model UK company for training, and that is with a workforce which is better trained than Jaguar's."

Mr Thompson believes that incremental initiatives will play an important role in improving training provision but he adds: "At the end of the day, some form of statutory arrangement will be necessary to promote the volume and quality of training that is needed on the timescale we are working to."

Whether or not British industry will be able to improve its training provision enough to avoid growing calls for statutory action will be one of the vital tests of the next few years.

How does Britain compare with other countries?

# Anatomy of the skills gap

BRITISH EMPLOYERS have been berated from all sides over the past few years for a lamentable neglect of training. They are pursued by critics armed with apparently damning figures which prove the inadequacy of British companies' investment in skills.

But how much do international comparisons tell us about what needs to be done to improve the British training system?

The debate is clouded by a lack of definition about the character of training itself. Does one measure the time spent on training regardless of its quality, intensity or purpose, regardless of the benefits of on-the-job training which is often unquantifiable? An alternative is to measure the cost of training. But should this be done regardless of the development of flexible and open learning, or computer-aided training, which may be more efficient but just as effective as more traditional forms of course-based training?

Undoubtedly the most attractive form of measure would be to gauge the value of the output of training rather than assess the inputs. But how should this be done? In many areas there are no developed qualifications to assess attainment.

Examining how labour productivity improves following training is a rather narrow measure, which does not assess the broader benefits to a business or individual from training, and it is as open to dispute as any other measure. Productivity can be affected by all kinds of factors, from investment and the organisation of work to the volume of production.

These conceptual problems will confound any attempt to draw hard and fast comparisons of country's training records. As a consequence, building up a picture of the effectiveness of an economy's training system is more a matter of piecing together evidence to provide the most coherent, plausible story of how training contributes to economic competitiveness.

Even without these conceptual problems the debate about the quality of British training would still be conducted somewhat in the dark. The Manpower Services Commission, which is responsible for encouraging employers to spend more on training, does not know how much they spend. The first comprehensive study of spending on training will be completed next year, almost 15 years after the commission was created.

One of the most frequently used measures comes from a survey of 500 leading companies carried out by IFF Research for the commission in 1985.

It reported that British companies spent on average about 0.15 per cent of turnover on training, compared with leading US companies which assigned 3 per cent of sales revenue to training, and West Germany, where some 2.3 per cent of gross national product went to this purpose.

But even these comparisons are not particularly clear. The aggregate turnover of UK companies is well in excess of GNP; Ford, for instance spends 2.24 per cent of its value added on training but only 0.61 per cent of its turnover. The UK survey covered only the private sector, while the West German figure relates to the entire economy. The IFF considered adults only whereas spending on youth training may alter the international rankings.

**'We are not that good at ensuring people carry out job descriptions efficiently. We are pretty poor at giving people the confidence to carry out tasks outside job descriptions. And we are terrible at encouraging a creative contribution'**

Critics of these figures such as Mr Terry Wilson, Ford's director of education and training, says the economy's training shortfall is not in the private sector, but in the public sector and in youth training. Mr Wilson, and colleagues in other large electronics and engineering companies, argue that bodies like the MSC and the Engineering Industry Training Board misuse such comparisons.

Mr Geoffrey Holland, the MSC's director, agrees that the figures are only part of the picture. But, he says, they only capture one part of a deep-seated cultural and economic problem which has produced Britain's international skills deficit. He says: "The real skills gap is that our country is under-educated, under-trained and under-skilled. And that is because our approach to training has for decades been too little, too narrow, for too few, and with hardly any follow through."

A substantial body of evidence has been gathered behind Mr Holland's argument. How much of it is an indictment of employers?

Much of the difference between the UK and West Germany lies in their education systems. Jaguar's substantial investment in its employees, for instance, may well reap a lower return than a similar investment by BMW or Mercedes-Benz, because recruits enter the UK company having had a less effective education.

After school, the gap between Britain and its competitors is maintained, if not widened. In West Germany about 600,000 young people a year embark on an average three-year course in industry and commerce, compared with about 360,000 in the UK. Between two and three times as many people qualify as fitters, electricians and building craftsmen as in Britain, after passing tougher examinations.

Many employers take this as evidence that the main responsibility for improving training over the long haul lies with the Government and the MSC to provide a more effective system of vocational education.

Both are busy in this area, but Mr Holland believes that much of the improvement in youth training will have to come from employers. Too frequently, employers take young workers from YTS without continuing their training. What should be a two-year preparation in foundation skills to set them up for their early careers merely becomes a temporary stop over before moving into employment. Moreover, the West German system is entirely funded by employers whereas the British system relies on £1bn from the Government.

This doubt about whether employers value training sufficiently is reflected in approaches to training for employees. The IFF study found that 69 per cent of employees had not been given any training in the previous 12 months. For the workforce as a whole, off-the-job training amounted to an average of 1.3 days a year, about a quarter of the average in West Germany.

Since 1973 Italian workers have had the right to a minimum of 150 hours of paid time off every year to attend approved courses. This covers companies with at least 15 employees and no more than 2 per cent of the employees at a company can take up the right at any one time. Even so, about 80,000 Italians each year have taken advantage of the scheme, and generally many workers go on to study in their free time.

The gap is also reflected in management training, in which companies are showing a growing interest, according to a report written by Prof Charles Handy, published earlier this year by the MSC and the National Economic Development Office.

Some such as Mr John Banham, the CBI director-general, argue that the time is ripe for a real change in attitudes and practices. After a good deal of talk and agonising, companies other than those which are already committed to training may take the opportunity to invest more in skills. The evidence of the success of integrated training, personnel, and business strategies from companies such as ICL, the computer manufacturers, will filter through the rest of the business community.

As yet, the signs of such a shift are limited. Moreover many employers may take the current breathing space in the real economy as evidence that they have done what is needed to become more efficient.

Mr Chris Hayes, a senior training consultant, disagrees: "Productivity is a very narrow measure of efficiency. In future companies will have to be more competitive in much more rounded ways to produce higher quality products, and customer satisfaction rather than just lower unit costs. We are not that good at ensuring people carry out the tasks within their job descriptions efficiently. We are pretty poor at giving people the competency and confidence to carry out tasks outside their job descriptions. And we are terrible at encouraging people to make a creative contribution to production."

That may be a Utopian goal, but it points to a key reason which will threaten to undermine any hard and fast comparisons of training provision. Training is not simply about mechanistically equipping people with a set of skills. In those companies which invest in training in a thorough way, it is part of ensuring a much more rounded business competence throughout the workforce.

**Charles Leadbeater**

Youth training

# The YTS: positive effects but improvements needed

THERE ARE two striking features to the development of youth training in the UK over the past few years: the dramatic decline in traditional apprenticeships and the widening spread of the Government's Youth Training Scheme.

In 1979, before the Youth Training Scheme had been dreamt up, there were 22,752 first year registered apprentices in the engineering industry. By 1984-85 the number had fallen to 6,042. Over the same period the Youth Opportunities Programme, the Government's initial response to rising youth unemployment has turned into one-year YTS, and last year the scheme became a two-year training programme.

The Government now guarantees that every 16/17-year-old school-leaver will be able to find a place on the scheme which can provide training for about 460,000 young people.

YTS has become the accepted focus for youth training in industry. It is widely accepted by industry, the trade unions and the political parties that a two-year programme, which provides a bridge between school and work, will be a permanent part of Britain's training infrastructure.

The scheme's design emphasises a set of competences and abilities that trainees should acquire which, taken together, make up general occupational competence. Training providers prepare a training plan and agreements with individual trainees which detail how off-the-job training and work experience will help them to acquire competence in occupational skills, general work skills, ability to transfer skills and personal effectiveness.

The scheme has helped to restructure the youth labour market, and reduced youth unemployment. Its training content has improved markedly since its inception. It is one of the more coherent and well-organised programmes run by the Manpower Services Commission. But is it really tackling Britain's skills deficit?

The most extensive study of the economic effects of YTS, undertaken by economists at Cambridge University, found that the scheme encouraged employers to create an internal reserve of youth labour from which it can recruit, although many companies would have taken on young people without the scheme. The researchers found that companies with skill shortages were much more likely to take on trainees.

However, over the economy as a whole, it is less clear that the scheme tackles skills shortages in a systematic way. The study found that many trainees were being trained in skills which were not in general short supply - particularly in retailing (25 per cent of trainees), hotels (7 per cent), hairdressing (6 per cent) and clerical work (10 per cent). Together these categories account for almost 50 per cent of all YTS trainees.

The researchers asked managers whether they had noticed an increase in the supply of skilled workers which could be attributed to YTS, apart from the effects of their own programme. Only 19 said there had been a general positive effect with 217 reporting no noticeable effect on the supply of skilled labour.

The study found that YTS had improved the quality of industrial training for young people. About 42 per cent of companies said the scheme had encouraged them to improve the training they offered young people. These positive effects included: thorough reviews and sharpening of training programmes; the addition to new elements to training programmes; the purchase of new equipment and premises for training; widening training to cover more skills; providing experience for trainees in a wide range of departments, and generally stimulating an interest in training within the company. These positive effects were most marked in engineering, retailing, hotels, and garages.

The researchers concluded: "Generally companies made a serious attempt to provide good training. Much of the training was of an impressively high standard."

**As soon as they leave the scheme to take up jobs, their employers stop the training**

Nevertheless MSC officials acknowledge that the programme needs improvements to make it as effective as youth training elsewhere in improving the long-run competitiveness of the trainees and the economy.

The MSC has begun assessing its training providers to see whether they meet the requirements necessary to be awarded Approved Training Organisation status. The commission has also launched the Training Standards Advisory Service, the YTS equivalent of the official inspectorate for schools.

Along with the National Council for Vocational Qualifications the commission and industry bodies are developing a wider range of vocational qualifications so that trainees can study for an accreditation in the occupation of their choice. The commission also plans to introduce more enterprise training into the scheme to encourage young people to consider setting up their own businesses.

Despite these improvements the scheme is still somewhat hamstrung by its beginnings. Government ministers and employers are inclined to judge its effectiveness by its record in placing young people into jobs. The scheme has clearly been effective in meeting this goal. The most recent follow-up survey of YTS trainees found that 30 per cent of trainees went into full-time work with the company which provided work experience; 28 per cent went to work for a different company and 3 per cent went into part-time employment. About 22 per cent went back into unemployment, while the remainder mainly went into full-time education or onto another YTS course.

Yet MSC officials are worried that the scheme is remains predominantly a programme for unemployed youngsters. Generally, as soon as people leave the scheme to take up employment, their employers stop the training. A successful outcome - getting a job - often means the end of training which is intended to establish core skills which will be useful throughout working life.

So MSC officials believe the most important improvements will come from employers. As one senior official puts it: "Although the scheme is more widely accepted by industry than any other programme run by the Government, still only a minority of employers takes part. Moreover companies are generally unwilling to invest in training once a trainee has become an employee. It comes back to the same old problem - do employers put enough value on training?"

**Charles Leadbeater**

Qualifications

# A framework for coherence

VOCATIONAL qualifications are one of the many aspects of Britain's training system which have proved in need of radical reform.

Until now, qualifications have been awarded by a complex variety of bodies, with employers and others often lacking any clear idea of what standards of competence are covered by particular qualifications. It has been calculated that some 600 bodies have been responsible for awarding 6,000 qualifications, often with overlap.

In an attempt to introduce greater clarity and coherence, the Government has set up a new National Council for Vocational Qualifications. This has just celebrated its first anniversary, and later this month will be reporting on progress at a conference in London.

"Qualifications set to nationally recognised standards and accredited by the national council will make it easier for employers to identify an individual's competence in a particular area, and there will be more opportunities for people to qualify - whatever the levels of skill, knowledge or technology demanded," says Mr Oscar de Ville, chairman of the council.

In future, qualifications awarded by bodies like the Royal Society of Arts and the Business & Technician Education Council will be grouped within four levels. All qualifications - ranging from those awarded to young people on the Youth Training Scheme to Higher National Certificates - will be contained within these categories.

The council has produced a framework for fitting qualifications within the four levels, and the proposed reform is winning considerable support.

A more sensitive area has proven to be the proposed inclusion of a fifth level to cover professional qualifications. Some professional bodies fear that their ability to set professional standards through their qualifications might be jeopardised by the changes. The Government has, however, made it clear that it wants professional qualifications included within the new structure.

In a recently issued consultation paper, the national council makes it clear that it is seeking to bring professional bodies within the new framework by a gentle process of persuasion and the offer of partnership.

But it stresses that the Government's concern about vocational qualifications is with the total system and not just parts of it. "It would thus not be sensible or appropriate to exclude professional bodies who play a major role in vocational education and training and who determine patterns of qualifications."

Professional bodies were therefore urged to use their considerable experience in helping to develop the new initiative.

The council says it recognises the need to consult each individual professional body, and appreciates their rights to set professional standards. After consultation has taken place, it plans to invite professional bodies individually to enter into partnership.

"It must be stressed that success can only be achieved by approaches that are agreed by, and acceptable to, all concerned and by voluntary involvement," says the council. But it had also to be recognised that the Government believed the reform of vocational qualifications would contribute significantly to economic prosperity through a more efficient and cost-effective education and training system.

**Alan Pike**

# Employers should be frank about their wants

BY MICHAEL DIXON

A USEFUL tip for ambitious job-seekers is to spend time practising a firm but friendly handshake. For it is widely recognised in the recruitment trade that even experienced and well trained interviewers not only over-react to the first clasp of an applicant's hand, but can rarely *stop it from influencing their judgement.*

That is why this column disagrees with the readers who frequently write condemning employers for selecting recruits by so-called snobbish criteria - the delicacy of candidates' eating habits, for example.

Such factors exert as powerful an unconscious effect on some people as handshakes have on the bulk of us. Moreover, at top management level especially, the approval and trust of people of that kind can be no less essential to success in the work than technical competence. In which case there is good reason to choose recruits by the punctilios of their behaviour.

The only objection I can see to such yardsticks is that employers rarely if ever admit that they are used. And by keeping the matter secret, they are in effect acting snobbishly no matter how crucial the refinements they are seeking may be.

If they announced that the work required delicate eating habits, for instance, those of us who had a rough and ready upbringing would at least know we needed to polish our table manners to have a chance of getting the job. Otherwise, the opportunity is limited largely to people who for the most part possess the characteristics in question largely through the good fortune of their birth.

Hence the Jobs Column's numerous attempts to persuade employers that, when they place importance on traits of personal behaviour, they should have the courage to advertise the fact. In making those attempts, of course, I have not been naive enough to expect the advice to be followed. Experience has taught me that employers need at least a dozen years to register, let alone act on, unfamiliar ideas about recruitment practices.

The other day, however, I had a sudden hope that my argument for publicising requirements for personal traits had at last been heeded. For I spotted a job ad which certainly seemed to call for a specific kind of behaviour - even though not quite of the sort I'd had in mind. The large type heading the advertisement read:

TWEE
CHAUFFEURS

Unfortunately, the newspaper it appeared in turned out to be written in Flemish in which "twee" signifies simply "two".

Even so, any lack of courage recruiters show in failing to spell out the social refinements they are wanting, is as nothing to the cowardice some of them exhibit by besmirching their job ads with a particular type of phrase. Its typical form is: "no self-employed consultants need apply."

The advertisers concerned would do far better to say what they mean directly, which as everyone knows is that they do not want to hear from anyone out of work. For by using weasel words instead, they do not just commit the stupidity of ruling out people who have lost their job through no shortcoming of their own, but give the impression of sneering at the only kind of employment for *their skills* numerous of them are nowadays able to find.

Those who are in that plight could be forgiven for hoping that the arrogance of such recruiters will one day prove to have been hubris - the sort of pride that goes before a fall. But having met a good many of them, I feel sure that they would take such revenge in large measure far less than even a little help.

As it happens, some data has been sent in by self-employed consultant Anne Mallach which might well give those in the same position a better idea of what to charge. She has recently made a survey of the fees charged by 75 consultants in England, including a goodly number in practice on their own.

"The average (mean) daily fee rate is £425," she says, "although there is a vast range - between £180 and £1,200 per day." Taking all of the respondents together, 19 per cent charge less than £300 daily, 60 per cent between that and £500, and the other 21 per cent demand more.

Broken down by different kinds of managerial activity, the averages are: finance and administration £390, production and distribution £350, marketing £450, personnel £460, general management £470. The breakdown by regions is: London £560, South-east England £400, North-west and North-east £350, the Midlands £330, and the South-west £325.

Any reader wanting fuller details of the survey can contact Anne Mallach at 38 Blenheim Avenue, Gants Hill, Ilford, Essex IG2 6JQ; tel 01-554 4695.

## Scotland

RECRUITER Jestyn Angus, of the Knight Wendling consultancy in Glasgow, has been asked to find someone for what he calls "one of the most broadly based and challenging top personnel roles in Scotland". As is always the case when headhunters mentioned in this column are unable to name their client, he promises to abide by any applicant's request not to be identified to the employer at this stage.

The newcomer's prime task is to initiate advanced personnel management practices throughout the numerous operations of a "dynamic" group, and to guide the board and other senior executives in bringing the changes about. The emphasis will be on management and organisational development, industrial relations, and other kinds of training and resourcing.

Candidates should be successful in the higher reaches of personnel work in manufacturing, with demonstrable ability to contribute to board-level policy-making and strong industrial-relations skills.

The earnings indicator is £35,000. The rest of the package includes a car.

Inquiries to Mr Angus at 95 Bothwell Street, Glasgow G2 7JZ; tel 041-221 8676, telex 779688 Willis G.

## Mixed bag

NEXT COMES headhunter Garry Long who is seeking a variety of people, most of whom need already to be working at near-partner-level in management consultancy. The specialist field he is especially concerned with is human resources work, with particular reference to performance appraisal, organisation design, and pay, incentives, benefits and the like. Earnings are expected to range from £35,000 to £50,000 depending on experience, with partnership within a year in the offing for anyone who comes up to the mark.

In addition, Mr Long's colleague Charles Young is looking for research analysts on behalf of a City broking concern. Candidates should have expertise in one or more of the following sectors: paper and packaging, building and property, or shipping and transport. Rewards will total at least £40,000, and for outstanding skills, considerably more.

Inquiries to 66 Gloucester Place, London W1H 3HL; tel 01-935 3320, telex 263429, fax 01-935 4077.

## Export order

FINALLY today to recruiter Dudley Edmunds, of the Roger Parker Organisation, who is seeking no fewer than 14 finance-sector trading staff to work in Tokyo for the expanding branch there of an international bank.

The people they seek include skilled spot Swiss-franc, sterling, yen and US$ dealers with around seven years success in such work. There is also a need for traders in the off-balance-sheet area with specific expertise in at least one of FX swaps, coupon swaps, financial futures, or FRAs.

Further requirements are for one trader in US treasuries, two in yen Government bonds, another on derivative products, and two more on distribution.

Basic salaries are negotiable, but will probably be in excess of US$100,000 plus bonus. The perks include free-of-charge housing.

While Japanese candidates would be welcome, Mr Edmunds hopes to hear from candidates from other nationalities with suitable skills who are at least willing to make the necessary effort to learn Japanese.

Inquiries to him at Bunge House, St Mary Axe, London EC3A 8AT; tel 01-929 1212.

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# JOIN THE 'ACADEMY' OF CORPORATE FINANCE

## as a consultant, writer and speaker

Globecon Group Europe is part of the internationally esteemed training, consulting and information company specialising in techniques, products and applications of corporate treasury.

We have an urgent need for professionals with at least five years experience in corporate finance and capital markets to join our new European operation, based in London. Important experience references are corporate financial theory and practise–capital structure, valuation, M&A, leveraged buyouts; capital market instruments–bonds and financing alternatives, private placements, commercial paper; rate management–swaps, futures, forwards, options.

You might have gained your capital markets experience in many ways. Perhaps in a corporate treasury department.

Perhaps you are an investment banker, now looking for change and challenge. What you will also have is a basic ease and skill in communication, and an enjoyment of working with groups. (Precise training skills we can help with.)

Globecon is the academy of capital market practise. It is, however, an academy not of academics, but of outstanding achievers in corporate finance. To work there is to join an international elite, to be challenged and stimulated. To travel: indeed, part of the induction will entail an extended visit to New York. And to be rewarded: for a candidate good enough, the right remuneration package will not be a problem. Write with resume to John Cheese.

The Globecon Group Europe,
19 Stratford Place, London W1N 9AE

globecon group

# Banking Specialist

## Paris 330-350 KF

Our client is one of the "Big 8" international audit firms and, whilst already being one of the leaders in providing services to the financial sector in France, is looking to reinforce further the specialist banking division of its Paris office with a Manager to work on a variety of local and international banks and financial institutions.

In addition to classic audit work, the Manager will spend a large part of his time working with other departments (management consulting, tax, accounting...) and on special assignments (investigations, acquisitions, consolidations...) and will be expected to play an active role in the development of the firm's activities in the financial sector.

Partnership prospects may be envisaged by strong candidates.

Applicants should ideally be qualified ACA's or equivalent with a minimum of 5 years' experience and extensive practical experience in the banking and financial institution sector. A fluent knowledge of French is also essential.

Please telephone Ivor N. Alex on Paris (33.1) 40.70.00.36 or write to him enclosing a comprehensive curriculum vitae and contact telephone numbers at Michael Page Executive,
19 Avenue George V, 75008 Paris,
quoting reference no. INA/1353.

MP

Michael Page International
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# CALLING OFFICER

## City c£25,000+discretionary bonus

One of the world's major banks, with a strong commitment to London, wishes to appoint a marketing professional to develop new relationships with the Top 250 UK companies.

- You are looking for the opportunity to progress your career within an organisation that will offer you both career development and a stimulating working environment.
- You will enjoy being part of a developing team where your experience and ideas will have a major impact on the strategy adopted by the department.
- You will enjoy – above all – marketing the full range of traditional and new products within an innovative environment.

If you feel that your talents and experience would be suited to this role and are aged 25-35, please apply in confidence to Susan Milford, Manager — Financial Appointments quoting reference CG0532

**Telephone: 01-256 5041** (Out of hours 0483 37480)

Management Personnel
Recruitment Selection & Search
10 Finsbury Square, LONDON EC2A 1AD.

# CUSTOMER DEALER

## City c£20,000+discretionary bonus

A significant player in the world markets wishes to recruit a Customer Dealer to join an innovative team. You are probably aged 25-30, with some good experience, but you are keen to learn more!

- **Challenge** to develop relationships with large UK Corporates and Institutional Investors in Europe and the UK.
- **Variety** to be active in the money market and foreign exchange markets as well as being involved with Capital Markets products.
- **Opportunity** to improve your product knowledge and prospects within a meritocracy.

If you are interested in making an important contribution to the development of an expanding department, please contact Susan Milford, Manager — Financial Appointments quoting reference CG0517

**Telephone: 01-256 5041** (Out of hours 0483 37480)

Management Personnel
Recruitment Selection & Search
10 Finsbury Square, LONDON EC2A 1AD.

Jonathan Wren

# FUTURES & OPTIONS

Clients experiencing an upsurge of switched business as a result of the market upheaval have current requirements for applicants with backgrounds in

***Financial Futures***
***Stock Indices***
***Energies***
***Currencies***
***Options***

covering floor, desk, marketing, back-up/settlements, credit analysis and accounts activities.

As clients are now being highly selective it is essential that all candidates have demonstrably high levels of practical experience in their appropriate areas. Salaries will reflect the actual level of expertise.

Applicants with well above average skills and experience, who are interested in exploiting the advantages offered by the rapidly evolving situation in the market, are invited to contact

**Michael Hutchings or Vanessa Nokes.**

LONDON BRUSSELS HONG KONG SINGAPORE SYDNEY

Jonathan Wren
**Recruitment Consultants**
**No.1 New Street, (off Bishopsgate), London EC2M 4TP.**
**Telephone: 01-623 1266. Fax: 01-626 5258.**

## Corporate Banking

# Account Manager

One of the world's major international banks is looking forward to substantial growth in its UK Corporate Banking Division over the next few years. Capitalising on an established and profitable base, expansion will come from a variety of both new and existing clients, giving the successful candidates excellent opportunities to broaden their experience.

You should be a graduate in your late 20's/early 30's with an extensive knowledge of lending and treasury products, specialist financing and off-balance sheet transactions. A minimum of 2-3 years' experience in account handling and new business development is desirable. Personal qualities should include maturity, self-motivation and the ability to communicate at all levels. You will be rewarded with a competitive salary and a performance related bonus.

For further details please contact Mark Hartshorne on 01-404 5751 or write to him in strictest confidence at 39-41 Parker Street, London WC2B 5LH.

MP

Michael Page City
International Recruitment Consultants
A member of Addison Consultancy Group PLC

# FIXED INTEREST RATE SPECIALIST – TOKYO –

Gerrard & National is expanding its gilt-edged and international bond operations in Asia. A fixed interest specialist is sought with at least three years' experience in domestic or international bond markets. After a suitable familiarisation period in our London office, the successful candidate would be based in Tokyo for a period of at least two years. A knowledge of the Japanese language would be useful but not essential. Salary negotiable.

Please reply to Miss M. Lewis

**Gerrard & National**
HOLDINGS PLC
33 Lombard Street, London EC3V 9BQ

All replies will be treated in the strictest confidence.

# INTERNATIONAL UK PLC ASSISTANT COMPANY SECRETARY

**(and Secretary of a major subsidiary)**
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**£30,000 Up plus bonus and other benefits**

An exceptional opportunity for a capable and ambitious Company Secretary, to join a very successful and acquisitive international group.
Candidates are likely to:
- Be qualified as a lawyer.
- Have at least 5 years commercial/legal experience.
- Be a Company Secretary or the number two in an international group or possibly a commercial solicitor with secretarial experience.
- Numerate and good at communicating.
- Be aged late 20's to late 30's.

A very attractive package will reflect the importance of the position to our clients. For further information, in strictest confidence, please contact:
Box No. 0725, Financial Times, 10 Cannon Street, London EC4P 4BY.

# CITY GRADUATES

- Are you thinking of a career move?
- Do you have a good degree?
- Have you worked in Banking or Stockbroking for at least eighteen months?
- Would you like the opportunity to meet two City recruitment specialists for one hour to discuss your next move? (There are no costs involved and meetings are without obligation to proceed further if that is your choice.)
- Our clients are all blue chip names in the City and are seeking high calibre people at every level.
- All replies will be treated with the utmost confidentiality.

If you are interested please telephone John Lord on 01-977 8105 or David Jones on 0444 452209 or send C.V. to:

**The City Resourcing Partnership**
**266 Bishopsgate**
**London EC2M**

# JAPANESE/FAR EASTERN INSTITUTIONAL SALES

SASSOON (UK) Ltd are currently seeking staff to fill a limited number of positions on the Japanese/South East Asian Broking Desk made available by our continued expansion.

Experienced Institutional Sales Personnel
Trainee Sales Assistants
Research Personnel

Experience in particular is highly valued for the Sales function. These positions offer excellent career pospects to the right, self-motivated individuals. In addition the remuneration package will prove attractive to the right applicant.

Please Apply to: The Managing Director
Sassoon (UK) Ltd
The Counting House
53 Tooley Street
London SE1 2QN

# Investing in Entrepreneurs

Greater London Enterprise is an investment company which uses a combination of public and private sector finance to achieve commercial success and social development within a framework of social objectives. We are about to embark on a programme of new venture capital investment involving a high proportion of private sector funds. These new vacancies present an opportunity to be involved at the start of the process and to gain the career rewards of its success.

## Portfolio Management & Investment Appraisal

**Starting salary around £25,000 plus car**

We need high calibre staff capable of fulfilling two important functions
i) making a management contribution to the wide range of companies in which we invest, assisting them to realise agreed business plans
ii) seeking out and appraising new investment opportunities

You may have developed your management skills, which should include sales and marketing ability, through a blend of the following:
- a finance or business qualification
- significant experience of appraisal, structuring and negotiation of new investment
- line management in industry.

These jobs will be of interest to people who have achieved early success in a business career, and have been profit responsible and now wish to contribute to the profitability of a wide range of businesses.

*Please contact Vanessa Moody at Greater London Enterprise, 63-67 Newington Causeway, London SE1 6BD or telephone 01-403 0300 ext 237 for a job description and application form, to be returned by 4th December 1987.*

**GLE is an equal opportunities employer and considers all job applicants strictly on their merits. We welcome applications from socially disadvantaged groups.**

**GREATER LONDON ENTERPRISE**

**Galliford plc**

# Group Chief Executive

## Construction Industry

Galliford PLC, the parent of a Group of companies engaged in a variety of activities across the construction industry, wishes to *appoint a Group Chief Executive. Current group turnover is £125m* per annum and the Group has a strong balance sheet together with a well known and respected name. This, coupled with the improved climate in the industry, provides the opportunity for aggressive growth both organically and by acquisition. The Chief Executive will be a board member and be responsible for the overall management of the Group and be responsible for the achievement of its profit and growth objectives. Candidates for this important appointment must have a proven record of general management and are currently most likely to be responsible for a major company or group. A substantial salary and benefits package is envisaged. Applicants should write, in strict confidence, with full career details to Selection Thomson Ltd., as advisers to the Company, at 115 Mount Street, London W1Y 5HD.

**Selection Thomson**
London and Glasgow

# CREDIT ANALYST

Hill Samuel & Co. Limited, one of the City's leading Merchant Banks, is seeking to appoint a Credit Analyst to join its Property and Financial Lending team within the Commercial Banking Division.

The suitable candidate is likely to be aged 25-30, probably currently working within a Clearing or similar bank environment and who has had general experience in most aspects of lending and credit assessment. Preferably applicants will have passed their banking examinations or be well on the way to doing so. This post offers good promotional prospects for the right candidate.

In addition to a competitive salary, we offer excellent fringe benefits including profit share, subsidised mortgage and loan schemes, non-contributory pension scheme, free life assurance and BUPA.

Please send a full curriculum vitae, in strictest confidence, to:

Mrs. Anne Dunford,
Manager – Personnel Department,
Hill Samuel & Co. Limited,
100 Wood Street,
London EC2P 2AJ.

HS

**HILL SAMUEL & CO LIMITED**

# EQUITY INTER-DEALER BROKERS

International City Holdings are forming an equity inter-dealer broker – Charles Fulton Equity IDB Ltd. We are seeking highly motivated people who will respond to the challenge of screen broking. The qualities required are an outgoing personality, an agile mind, the ability to perform under intense pressure and a determination to provide a first-rate service in a highly competitive environment.

Successful candidates are most likely to have experience in the equity market or in screen broking, although other financial market experience could be relevant.

Please write with C.V. to Mrs. Jackie Marchant,
International City Holdings plc,
34-40 Ludgate Hill,
London,
EC4M 7JT.

*Or telephone Bill Foy or Howard Cherlin on 01 248 3242.*

# COMPANY LAWYERS A CAREER OPPORTUNITY

Continued development of the work of the Company Department has created the opportunity to appoint further lawyers.

The department operates in a number of self-contained practice groups designed to serve our clients' needs and solve their problems.

Placement of our articled clerks has not satisfied the increased staffing needs. We seek recently qualified lawyers with some experience who wish to develop further their skills in corporate law with a varied workload.

Clifford Chance is committed to providing excellent training in all aspects of business law and actively support the Law Society's Continuing Education Scheme. A full range of internal lectures, seminars and conferences are arranged to ensure those newly qualified obtain the necessary points and also receive relevant training and support. This allows for the integration of recently qualified staff into the work of the department.

Further career opportunities are exciting and our approach is to couple high standards of legal expertise with a practical and imaginative approach to commercial problems.

Working with us provides the opportunity to practice in a friendly, informal, but lively environment. If you wish to establish and develop your career with a major City firm we would be interested in hearing from you.

Please write with a Curriculum Vitae, to: Peter Brooks, Clifford Chance, Blackfriars House, 19 New Bridge Street, London EC4V 6BY.

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# We want Decisions

## COMMERCIAL/CORPORATE CREDIT MANAGER

*Citibank Savings is part of the world's most progressive Banking Group, currently seeking a Credit Manager for our commercial and corporate lending division.*

*We're looking for a highly experienced, independent arbiter on loan applications from around £100k – £650k. As head of a small and professionally motivated team, you should display both the intuitive skill and the personal authority to make the right decisions.*

*These qualities can only have been gained over at least five years as a lending official – with a substantial discretionary limit – in a Bank or other financial institution. The broader your experience, the better your suitability for this key role. We require as wide an exposure as possible, in lending areas such as owner-operated businesses, secured loan transactions, the investment property market and leasing products.*

*This is an important appointment for Citibank Savings. You will be our expert in this specialist field. And your success in this role will lead to still wider options within the organisation.*

*Professionalism and flexibility are the marks of Citibank. Your contribution will be fully reflected in a substantial salary package which includes a company car, full banking benefits and re-location if appropriate.*

*Please apply in writing, with full career details, to Warwick Womack, Citibank Savings, St. Martins House, 1 Hammersmith Grove, London W6 0NY.*

*We are an equal opportunity employer.*

**Citibank Savings**

A Citicorp Company

# Assistant Treasurer

## For a market leader with operations worldwide

**Surrey** **£excellent + car**

Our client is well known in the building materials industry and in recent years has achieved considerable growth, both organic and by acquisition. The centralised Treasury has a high profile and pursues innovative policies.

The job offers the chance to fully utilise your skills and knowledge in a stimulating environment where a significant individual contribution is expected.

Candidates should be aged around 25-30 with an appropriate qualification backed by three years' treasury experience.

Located minutes from the M25, the job offers a negotiable salary, fully expensed car, pension, life assurance and BUPA.

Please write – in confidence – to Robin Fletcher, ref. B.23108, MSL Treasurers' File.

***MSL International (UK) Ltd, 52 Grosvenor Gardens, London SW1W 0AW.***

*Offices in Europe, the Americas, Australasia and Asia Pacific.*

**MSL International**

# Leadership and innovation on a global scale...

—CITY BASED—

SWISS BANK CORPORATION INTERNATIONAL is one of the world's leading investment banks with a substantial presence in the international capital markets. The Bank enjoys a leading reputation as an international underwriter of both bonds and equities and the strength of our trading and securities activities has been substantially reinforced by our recent acquisition of Savory Milln. Most of these positions are new and all reflect the continuing and controlled growth of SBCI.

—TRADING—

### Experienced New Issues Trader

We are one of the most active issuing houses in the Eurobond market and have an extensive global institutional and retail client base. You will be trading in straight bonds in various currencies, bonds with warrants and convertibles.

### Deutsch Mark Bond Trader

We are also looking for an experienced Trader with specific knowledge and expertise in the Deutsch Mark bond market.

—FIXED INCOME RESEARCH OPPORTUNITIES—

The Bank is expanding its Fixed Income Research capability to service its Institutional Sales and Trading activities and to provide research support to other areas within the Bank, including Transactions, Syndicate and Swaps.

### Economist

As Head of Fixed Income Research you will have significant client exposure and responsibility for assisting the Institutional Sales and Trading Group on a day-to-day basis with economic analysis and strategic advice. You will also produce a range of investment products including the Bank's weekly investors' report and the fixed income elements of the monthly Global Investment Strategy and quarterly Investment Reviews published by SBCI Savory Milln. You will have experience of international monetary and fiscal policy, macroeconomics and econometrics and will possess detailed knowledge of the major central banks and financial authorities and institutions such as the OECD, IMF and BIS. Of particular importance is your ability to communicate effectively complex economic concepts and developments.

### Technical Analyst

You will report to the Head of Fixed Income Research and will be primarily responsible for the provision of expert technical analysis of fixed interest and currency markets. You will have a wide range of charting and other technical skills, including knowledge of Cycle Analysis, the Elliott Wave Principal and Gann Theory. You will be highly competent mathematically and will be familiar with options, futures and cash/futures relationships in various markets. You will have sufficient knowledge of economics and fundamental analysis to be able to assist and, when necessary, deputise for the Head of Fixed Income Research.

### Portfolio Analyst

Reporting to the Head of Fixed Income Research, you will be a Chartered Financial Analyst or have current experience of analysing fixed income portfolios from a risk management perspective. You will be highly numerate and will be familiar with all aspects of cashflow analysis including duration and convexity. Familiarity with the use of hedging techniques to secure a guaranteed rate of return would be an advantage. You will be expected to develop an understanding of technical analysis in order to assist and, when necessary, deputise for the Technical Analyst.

—EQUITIES BROKERAGE—

Through the Bank's affiliate, SBCI Securities (Asia) Limited, we have a commanding presence in the Far Eastern Equity markets with Brokers and Traders in London, Hong Kong and Tokyo servicing an extensive client base in the UK and Europe.

### Far Eastern Equity Sales

Here there are two positions both preferably requiring some 2-3 years' equity sales experience. One will be covering the Japanese and Hong Kong markets and the other, requiring a fluent German speaker, will cover markets in Germany, Austria and Switzerland. Both will have a well established and excellent global research unit to call upon.

—SWAPS—

Over the last five years SBCI has built up one of the leading cross-currency Swap operations in the Euromarkets and now possess one of the most successful teams in the City.

### French Speaking Marketer

Expansion amongst our well-established French client base has led to the need for our own specialist Swaps marketer. As a fluent French speaker, with a minimum of two years' investment banking/foreign exchange experience, you will also have good communication as well as highly developed quantitative skills.

—MONEY MARKET PRODUCTS AND SYNDICATED CREDITS—

SBCI is the number one dealer in Euro-commercial paper and is rapidly emerging as the leader in the developing Euro-medium term note market. Additionally SBCI has played a prominent role in Syndicated Credits, so far having arranged 15 credits for borrowers in 1987.

### Graduate with General Banking experience and Formal Credit Training

We are looking for a bright young Banker to join our team to work on the marketing, origination and execution of Euro-commercial paper, Medium Term Notes and Syndicated Credits.

—CAPITAL MARKETS TRANSACTION MANAGEMENT—

The Bank is expanding the department responsible for executing mandates. This entails negotiating details with borrowers, liaising with external lawyers and internal departments in the drafting of documents to ensure successful completion.

### Manager

You will be probably from the specialist department of a leading firm of solicitors or another investment bank. You must have a thorough knowledge of completing transactions across a range of products, preferably including Eurobonds, Equities, CD's, Swaps, Euronotes and Commercial paper.

—COMPLIANCE—

To ensure the very highest standards of self-regulation, SBCI has established a new compliance function to co-ordinate the development and the implementation of compliance procedures.

### Qualified Lawyer

This is a high profile role that would suit a recently qualified Lawyer. As Assistant to the Head of Compliance, you will be working closely with all operational areas to document compliance procedures. It is the ideal opportunity to gain experience in this new and expanding area.

All these appointments offer outstanding prospects for career progression within a Group which is committed to the long term.

Remuneration packages are negotiable and will include all the usual investment banking benefits and the opportunity to earn a performance related bonus.

Those who wish to apply should write giving full details of current remuneration and enclosing a curriculum vitae, to: Alexander Campbell, Personnel Manager, Swiss Bank Corporation International Limited, Three Keys House, 130 Wood Street, London EC2V 6AQ.

**SBCI**
**Swiss Bank Corporation International**

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# General Manager
## London Bank
## £70,000 plus benefits

**We are looking for a person to fill one of the most interesting and challenging senior banking appointments in the City of London.**

Our client is a long-established, foreign-owned London bank which has a strong position in a specialised area of overseas trade and project finance. It is now taking advantage of the recent developments and innovations in international finance to provide broader services to its customers.

The challenge facing the person sought is to lead the bank into the next stage of its development. This will require building on its existing strengths and adding new capabilities and resources in order to enhance its competitive position.

The person we are seeking is likely to be holding a senior management position in a UK-based international bank, and will be familiar with the techniques for financing and promoting international trade. Planning, management and leadership skills of a high order will be required to achieve success.

This major appointment will command a salary of £70,000, which will be supplemented by a full range of banking benefits.

If you wish to apply for this position please write – in confidence – enclosing a CV to Douglas Austin, ref. B.7021, or telephone on 01-730 0255.

**MSL International (UK) Ltd, 52 Grosvenor Gardens, London SW1W 0AW.**

*Offices in Europe, the Americas, Australasia and Asia Pacific.*

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# MORTGAGE SPECIALIST WHO CAN MANAGE PEOPLE AS WELL AS MARKET A SERVICE

*Up to £25,000 + car*

Although the entire face of the Mortgage Market has changed over recent years, the easy availability of funds has in no way diminished the highly professional approach adopted to this sector by our client, one of the world's largest Financial Services groups. We have been asked to identify and select a young (probably late twenties/early thirties) Mortgage Services Divisional Manager, initially at Assistant Director level, with the style, drive and enthusiasm that will motivate a small team, combined with the presence that will inspire confidence in high level discussions. The existing first class client base is generated from major corporate entities rather than cold call marketing. Good technical skills and computer literacy are essential to meet the sizeable workload arising from the mortgage administration assigned to our clients by a leading Banking Group; despite this need, the personality traits of a good manager and communicator remain paramount. The salary/benefits package is flexible enough to attract the best and the promotional prospects within an organisation committed to high professional standards are first class. Please send full career details to Bill Rench, quoting reference 7231.

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*International Banking*

# CREDIT ANALYSTS

An exceptional opportunity for a career analyst to join a major European bank. In a role of managerial responsibility the duties will require effective supervisory skills and constructive involvement in respect of a varied business portfolio.

**SALARY: c£20,000 p.a.**

The newly opened London branch of a quality European bank seek an analyst to support the lending operation and undertake a responsible role combining associated functions. Duties will involve analysis, review, liaison and control in respect of both corporate and interbank facilities.

**SALARY: c£16,000 p.a.**

BANK RECRUITMENT CONSULTANTS. TEL: *01 628 7601* LONDON WALL, LONDON

*Gordon Brown*

# 3i IN THE CITY

## INVESTMENT AT A POINT OF CHANGE

### INVESTMENT EXECUTIVE

*The City Office of 3i looks after £500m of portfolio investments in 150 companies. Our activities include listed and unlisted equity investment and medium term lending in the UK, including 'mezzanine' transactions.*

*We are now building a specialist leverage buyout/management buyin team. The team will identify and acquire companies, design and implement the appropriate financial structure to effect the acquisition, and work closely with new and existing management to develop and enhance the company with a view to realisation in the medium term.*

*We are looking for an Investment Executive who may have corporate finance or venture capital experience. A commercial outlook is critical and experience in industry would be an asset. You will have the skills to establish mature, long-term relationships with people, and appreciate the role of marketing. It is unlikely that anyone under the age of 27 will have the necessary experience.*

*As an Investment Executive you will receive an attractive package including the usual financial sector benefits. For more information about this new development, please send your CV to Kathleen Rawle, Personnel Manager, Investors in Industry plc, 91 Waterloo Road, London SE1 8XP.*

3i

A WEALTH OF EXPERIENCE

# Market Researcher

## Financial Sector

This leading Public Company is a major provider of Information Technology solutions to organisations within the U.K.'s International Securities Industry.

An exciting, newly created position has arisen for an experienced financial market researcher of graduate calibre who has extensive knowledge of the stockbroking and related financial sectors.

**Highly Attractive Salary + Quality Car**

You will already have highly defined administration and communication skills and the position reports directly to the Marketing Director.

For further details of this rare opportunity, call Kenny Lipton on 01-464 6655 or send your career details and remuneration requirements to:

MSB

**MSB Appointments, MSB House, 19 The Mall, Bromley, Kent BR1 1TT.**

*All enquiries will be acknowledged and will be treated in strict confidence.*

# Michael Page International

MP

## Specialists in Financial Recruitment

We provide a worldwide executive recruitment service in the accountancy, finance and banking sectors.

Our offices in London, Paris, Brussels, Amsterdam and Sydney are leaders in their respective markets and our consultants are experienced professionals with proven finance/recruitment ability.

We have developed an enviable international reputation by working for a broad range of business organisations from multinational corporations through to small privately owned companies and newly formed ventures.

As part of Addison Consultancy Group PLC, an international group of specialist companies operating in management and communications consultancy, we have access to considerable resources and expertise.

To find out more about how we can help you – call David Sattin, Managing Director, Michael Page International at our Group Head Office on London 831 2000 or contact your nearest Michael Page International office.

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39-41 Parker Street
London WC2B 5LH.
Tel:
London 831 0431

**Brussels**
Stephen Raby
MPI Brussels
350 Avenue Louise
1050 Brussels
Tel:
Brussels 648 1384

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# STOCKBROKING

**EQUITY SALES**

An experienced, capable equity salesperson with proven abilities is required by a major UK securities house with an excellent name in research. Highly competitive salary package

**SCANDINAVIAN ANALYST**

A leading securities house with a highly regarded European research team seeks to expand coverage of Scandinavian. Sound experience in investment analysis is essential. Excellent remuneration.

**PHARMACEUTICAL ANALYST**

A UK broking house, backed by a major European bank, requires an investment analyst with at least 2 years' experience of covering the Pharmaceuticals sector.

**GILTS SALES**

A well established stockbroker seeks to expand its successful gilts operation by recruiting one senior salesperson/dealer with extensive experience and one junior salesperson.

Contact Dr Elspeth Davidson

**01-439 1701**

# Svenska & Company Ltd

STOCKBROKERS

We are an Agency Stockbroking firm with efficient settlement and research back up. We currently have spare capacity and would like to hear from members of the Stock Exchange with good quality, investment business.

*Please contact Ted Ostrer on*
01-377 6066
*at*
Svenska & Company Ltd,
14 Devonshire Row, London EC2M 4RH

MEMBERS OF THE STOCK EXCHANGE
A MEMBER OF THE SVENSKA HANDELSBANKEN GROUP

# Investment banking opportunities in Bermuda.

**The Bank of Bermuda is Bermuda's largest bank with over $3 billion in assets and 1,300 employees worldwide. We provide a full range of investment services to local and international clients through our Head Office in Bermuda and overseas branches in London, Hong Kong, Guernsey and New York. We offer a sophisticated, international banking environment in a premier resort setting and a snow-free, pollution-free, tax-free climate.**

**Due to the increased volume of our international business, several new career opportunities now exist within the investment department.**

### Global Custody, Securities Settlement Supervisor

This person will be responsible for a team of administrators in the management of our international network of over 30 security depositories. He or she will manage asset and cash positions at each of our worldwide custodians.

We deal actively in the Far East (including Australia), Europe and North America. Applicants should be conversant with the practices and procedures in each of these regions and familiar with the operation of Euroclear, DTC and other automated settlements systems.

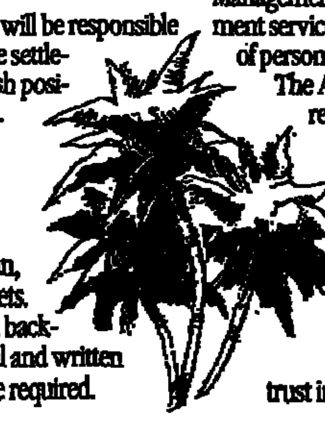
Ability to manage staff and perform associated management duties in a professional manner is essential. A business related degree and 5 years of managerial experience in the security settlement area are also required.

### Global Custody, Settlement Administrators

The Administrator will be responsible for co-ordinating all trade settlements and managing cash positions for a specific region.

Applicants should have 3-5 years securities industry experience and specific expertise in either the North American, European or Asian markets.

A good educational background and excellent oral and written communication skills are required.



### Portfolio Management, Trust Section, Account Administrators

The Trust Section of Portfolio Management provides international investment services to our prestigious roster of personal trust clients.

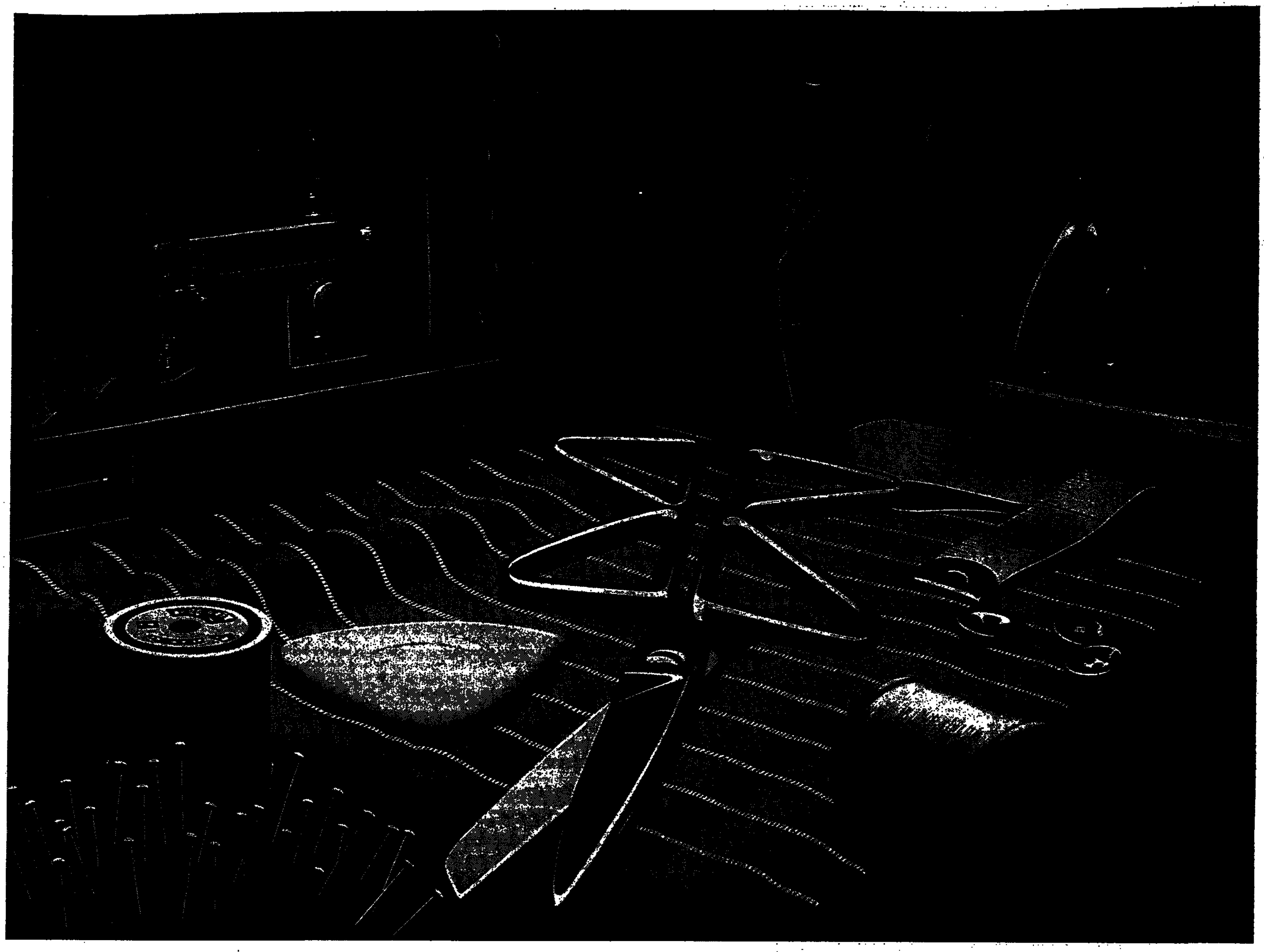
The Account Administrators are responsible for providing a comprehensive investment service within the parameters of our investment policy and trustee agreements.

The successful candidate will have a sound knowledge of the investment/trust industry with at least 5 years experience in investment management and account administration coupled with a university degree, preferably in business. The position requires a well organized professional with proven communication and marketing skills. The ability to travel is also essential.

Please submit a detailed resume including salary requirements to:
Nea Roloff
Personnel Department
The Bank of Bermuda
#6 Front St.,
Hamilton, HM 11
BERMUDA
TEL #809-295-4000 (ext. 3320)
FAX #809-292-3814

**A competitive and comprehensive benefits package is provided for all positions. Interviews will be conducted in Canada, Boston and the U.K. during the month of November. If your spouse will be seeking employment in Bermuda please include his/her resume.**

## The Bank of Bermuda Limited.



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